

# Nation's Business

USEFUL LOOK AHEAD

MARCH 1965

## BUSINESS LEADS THE WAY:

### IN POVERTY AREAS

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Who says shoppers are stupid? **PAGE 34**

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Mansfield and Dirksen debate outlook** **PAGE 76**

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# Nation's Business

March 1965 Vol. 53 No. 3

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Washington, D.C.

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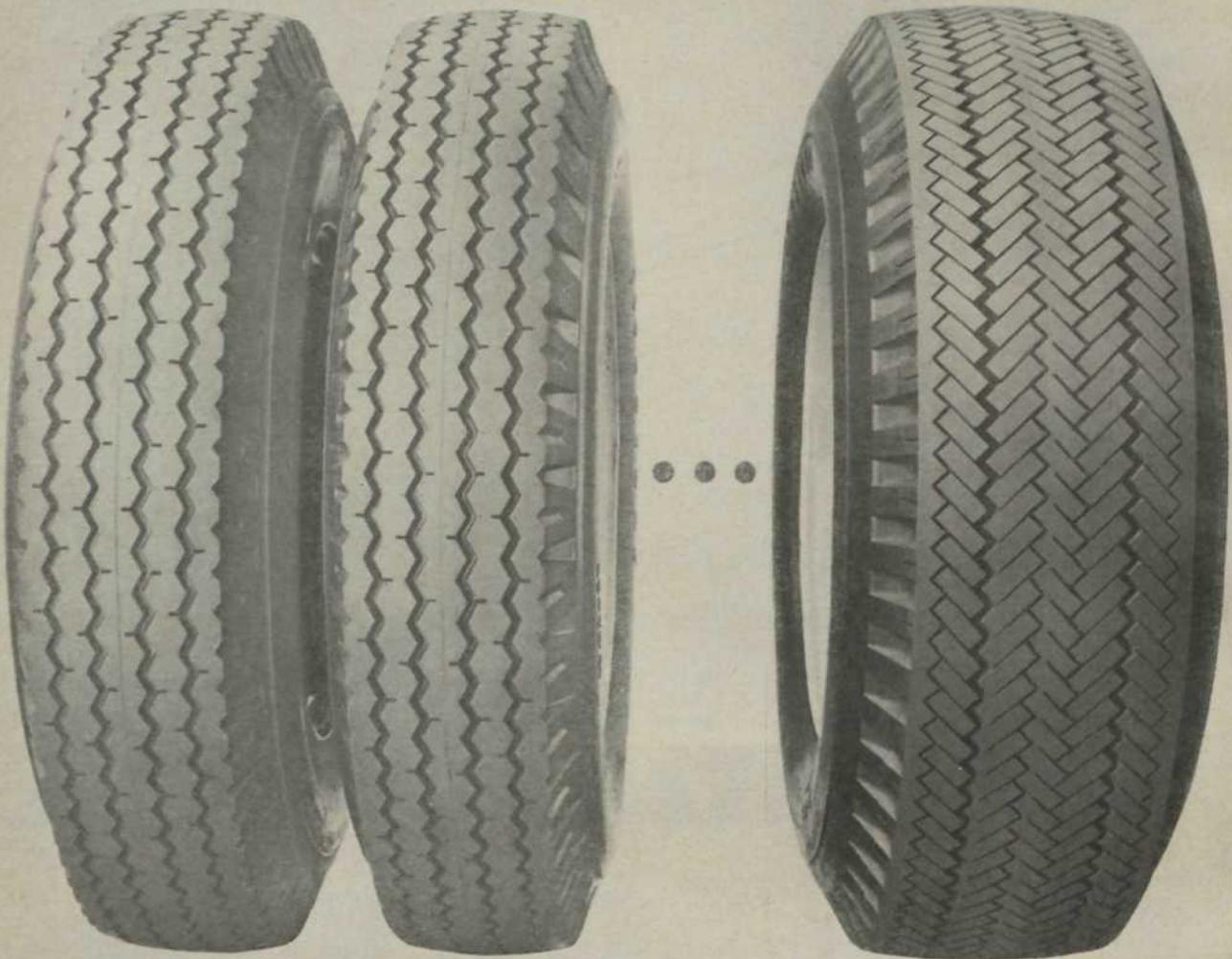
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# WASHINGTON BUSINESS OUTLOOK

## **More taxes may go up than down.**

Some are to be cut, but others raised.

Net: Nation's total tax burden, starting next January, will be nearly \$1 billion higher if Congress okays all administration proposals.

**Higher taxes** Congress considers would boost burden on business.

Examples:

Additional increase is proposed for social security taxes—on top of increases already scheduled to start next January—to pay bigger pensions, health benefits.

Other payroll taxes would go up to finance higher jobless pay, extend benefits extra weeks.

Highway users, chiefly commercial operators, would be taxed more. Involved are taxes on such items as fuel, tires, tubes, new trucks, buses, trailers, truck weights.

Other user charges include proposed higher fees for inspection of meat, poultry, grading of wheat, tobacco, warehouse inspection.

Tax on gasoline used in general aviation would be doubled and jet fuel would be included at same rate. For commercial aviation, proposals include extension of current tax rate on gasoline, with jet fuel added.

Administration wants air freight taxed at two per cent and asks that five per cent on air passenger fares be made permanent.

Vessels using inland waterways would pay new tax on fuel.

Proposal would revise patent fees to bring agency closer to self-sustaining operation.

On balance:

All LBJ-proposed higher taxes, once collections began, would exceed proposed excise tax cuts by nearly \$1 billion a year.

**Excise taxes may be cut sooner** than July.

They're to expire at end of June. Administration implies that's when cuts will start.

But date's not firm.

How much to cut, which industries to include, when to put reductions in force—decisions wait.

Answer, as far as anyone in capital city will say now, is later in year, when tax-writing House Ways and Means Committee is ready to act fast.

Sales hold key to timing. Officials fear decline as renewal deadline nears.

Check with history shows why. It happened that way in '54, last time excise taxes were cut. Sales of big-ticket merchandise slumped when talk of reduction began. Rise, soon after new rates took effect, was sharp.

Administration doesn't want to topple steady sales. If slump starts, it'll trigger quicker action.

This may mean reduction on June 1 instead of July 1.

As to amount, look for more than \$2 billion cut in place of \$1.7 billion talked about.

**Federal debt will grow** in next year and a half to high-water mark close to \$330 billion.

It'll stay that high briefly, then decline when tax payments exceed government spending as fiscal year ends.

On balance, federal debt will move up more than \$5 billion.

As debt grows larger, it will require legislation in next few months setting higher legal ceiling.

Time when federal budget might be balanced is not in sight. Treasury officials forecast a year ago that budget might be balanced by '67, now look to '68.

On Capitol Hill there's mention of '72 as earliest year when balanced budget might be expected.

Others think it might never be balanced.

**Sharp rise in handouts** to cities and states is set for next year. Aid doles are one of the

fastest rising categories of federal government spending.

Milestone: Subsidies will soon cost taxpayers more than interest payments on growing federal debt.

Subsidies this year, for first time, just about equal payments to maintain debt.

Next, federal planners want to double this year's increase.

According to administration plan, spending will shoot ahead of interest next year by whooping \$2 billion.

What this means:

Your city hall, your schools, your sewer district, your local airport, your state government—all lean more on Uncle Sam for tax funds than ever before.

For example, subsidies amounted to \$3.1 billion in '55, now head for \$13.6 billion.

Prediction: Congress is more apt to boost than cut in this spending category.

Lawmakers vote on new funds in about three months.

First union effort—to gain outright repeal early in current session of Congress—fails.

But unions step up their drive, following up President's announcement that Taft-Hartley Act should be changed to deny right-to-work laws which 19 states have passed and other states consider.

Feeling on Capitol Hill, as legislative session moves forward, is that this proposal takes a back seat to other programs President considers must legislation.

Chances are other legislation will get priority, but threat to Taft-Hartley section 14(b) will continue.

**Unions may win** concession on higher pay proposals.

Legal minimum, now \$1.25 an hour, may be extended to cover additional industries.

Box score: Federal law now covers approximately 27.5 million nonsupervisory employees. Some 17 million are not covered.

Unions want Congress to include all.

Pressure is mounting to take in about two million of them this year.

**Faster inflation pace ahead?** Yes. Appears so.

If this conflicts with what you've heard and read, keep this in mind:

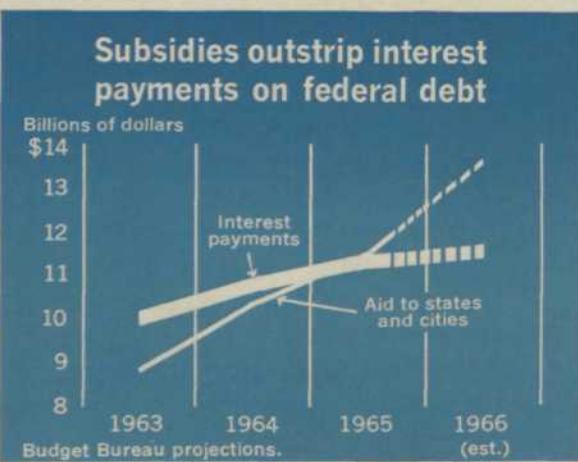
Word inflation, just the thought of it, even a hint at a little bit of it, becomes more worrisome to administration leaders than in many past years.

They're sensitive to voter opinion.

So, to avoid saying inflation, economic advisers, high-level government officials stick to terms like "stable prices."

Still, according to accepted Washington viewpoint, cutting through technical bafflegab, prices generally are expected to rise more than in several past years.

This is not runaway inflation. But it's more



**Unions keep trying** for repeal of federal law that assures states right to bar compulsory unionism.

# WASHINGTON BUSINESS OUTLOOK

creeping inflation than you've become accustomed to lately.

And back-room thinking in capital is that you'll be paying more for things you buy. This goes for material costs as well as wages.

At consumer level, higher costs will push some prices up—but not all.

## Rule of thumb:

It's good guess that three or four items in 10 will cost more, two or three will cost less, remainder staying even.

Labor Department's consumer price index probably will rise in as many as 10 of next dozen months, one to three tenths of an index point at a time.

**Item:** Just as Administration frets about rising prices, there's also concern about sharp price cuts—if they were to be initiated by some of the large and efficient corporations.

Reason: Fear it would set off severe profit squeeze for less-efficient competitors, smaller producers.

But this is kind of comment you won't hear "on the record."

**Profit rise may drop** to half last year's increase.



This is indicated by Treasury Department's official estimate.

For most companies, earnings will continue going up—but that's only part of the story of what's ahead.

Two out of five companies, on average, can expect to break even or lose money.

On the whole, U. S. Treasury hopes profits will improve, looks for tax liabilities to be about \$2 billion higher in year ahead.

## Unions work hard to win elections this year.

AFL-CIO's Committee on Political Education plans campaign for fall's off-year elections at local, state levels.

For example, about 1,000 cities of more than 10,000 population in 43 states will elect municipal officials.

They include New York, Los Angeles, San Francisco, Cleveland, Pittsburgh, Dallas, Cincinnati, Buffalo, Boston, Louisville, Miami, Denver, Atlanta.

New Jersey and Virginia will elect governors, members to state legislatures, other state and county officials.

New York and Kentucky will be electing members of legislatures, Kentucky also selecting county officers.

Illinois will elect county commissioners. Pennsylvania will elect district judges, fill county offices.

Wisconsin will vote on judges.

Ohio and Connecticut will vote on reapportionment.

COPE, unions' political organization, concentrates on coming elections listed in 92 mimeographed pages.

"Union members," COPE comments, "must shoulder a political load in nonelection as well as election years. It's work done now, when the pressure is off, that adds up to victory when the pressure is on."

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E. A. Yates, Jr., Vice President

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## Business opinion:

# How renewal stagnates business

"THE TRUTH About Urban Renewal" [January] was very good. But there is one angle that you, and seemingly all others writing about urban renewal, shun.

That is the effects on the small businesses that are caught up in the areas programmed for renewal and are gradually squeezed out of business or forced to move to other and often less desirable areas at a higher rent and to do more advertising to acquaint the public with their location.

The program in Little Rock has been under way a little more than three years. Property was bought up in the 100 block of Main Street but no work started to date. Businesses moved out of that block, or closed up and went out of business. Customer traffic dropped to an all-time low and the effects are felt in the surrounding areas from this loss of customer traffic.

In my particular case, urban renewal has purchased buildings in the 200 block of Main Street, and now five buildings stand vacant in this block. Business is stagnated now in both blocks. And yet, not a single approach from urban renewal to buy our property nor can I find out when they will buy in this block.

I am at a loss to understand why everything written about urban renewal, in the downtown areas, fails to consider the loss to present established businesses while this piecemeal buying is stretched out over a period of five or 10 years. I have a definite loss reflected on my books for the last three years, which I know is directly the result of the loss of customer traffic on these two blocks.

BEN RED  
Ben Red Studio  
Little Rock, Ark.

► In "Studies Disclose Federal Program Destroys Jobs" [April 1964] the editors of NATION'S BUSINESS examined the plight of the many small businesses which find

themselves in the path of urban renewal and are forced to close down.

The article "The Truth About Urban Renewal" is so much in accord with the knowledge I have acquired of the subject, through experience and study, I am anxious to have other people read it.

Last year I helped defeat a program here we have been fighting for ten years. However, we are faced with another attempt this year to force it through. Thank you for giving America the truth about urban renewal and your co-operating in assisting me in getting it to my friends in Kalamazoo.

CLAIRES R. GEROULD  
Kalamazoo, Mich.

### Copy to the champ

As a new subscriber to your magazine I read the article "When Inflation Runs Wild" in the January 1965 issue.

I hope you will see to it that Representative Patman obtains a copy of this article.

He is such a champion of inflation or at least the things that lead to inflation that perhaps if he could see the results of the things he advocates he might soften some of his outrageous policies.

GEORGE P. LABORDE  
Salem, Oregon

### Pivot man

Would you grant us the right to reprint all or parts of the exceptionally fine article, titled "Find the Pivot Man," appearing in the December 1964 issue of NATION'S BUSINESS.

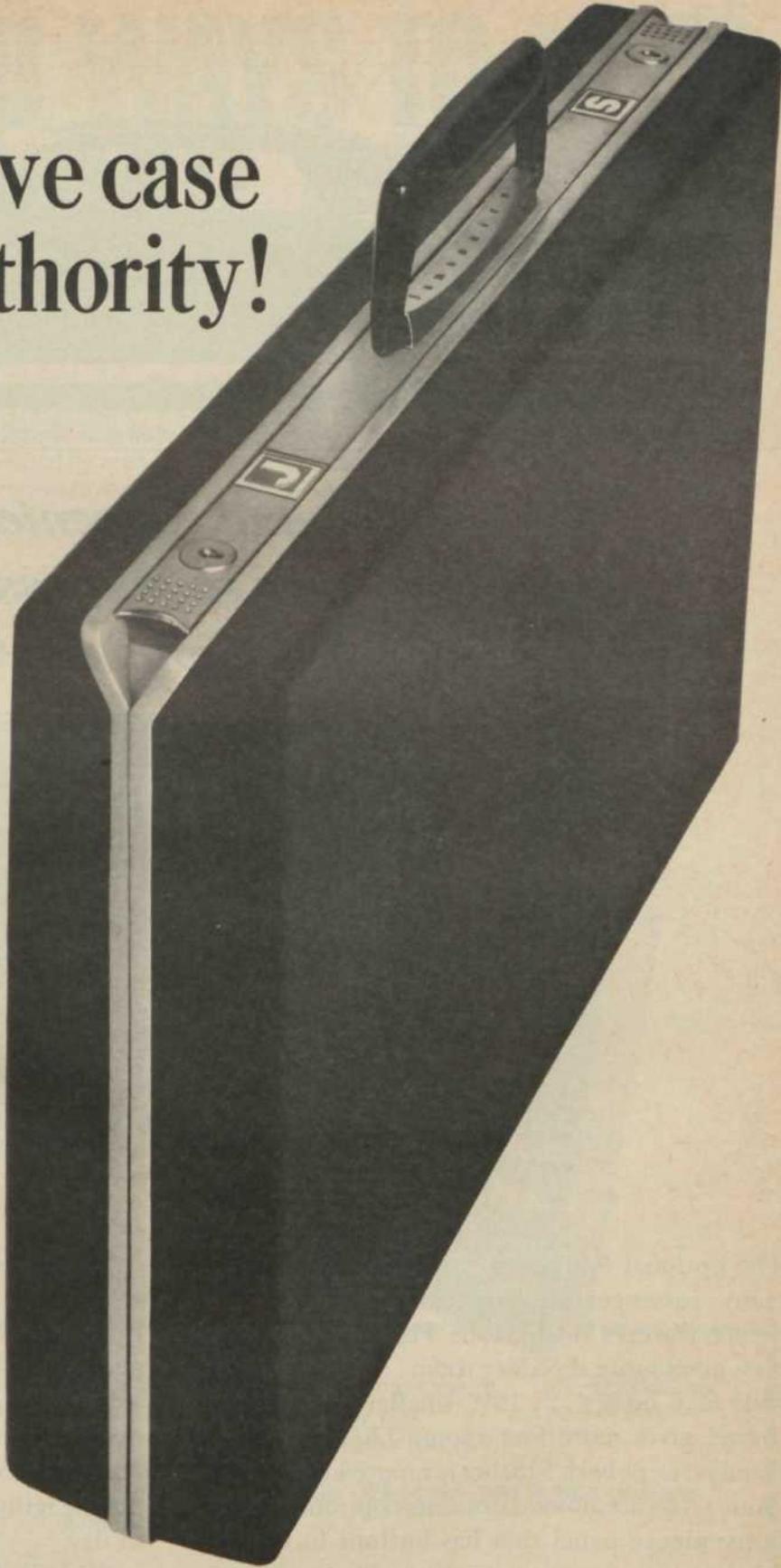
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CHARLES R. CARTER  
B. F. Goodrich Co.  
Akron, Ohio

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## Business opinion:

gratitude for your support of free enterprise and the good old United States of America.

ROBERT L. RUDDICK  
Ukiah, Calif.

### '57 article still timely

I am preparing a workbook for a training course for our middle managers and supervisors. I would like your permission to quote from your article, "Making Leadership Effective," which appeared in the March 1957 issue.

W. F. BERDAL  
Allstate Insurance Co.  
Atlanta, Georgia

### Gifted storyteller

Reading your December 1964 publication, I was particularly impressed with "Robert Moses Warns Against 'Mob Rule.'"

Mr. Moses is particularly well gifted in telling a story that should have broad distribution.

JEFF B. HUPPEL  
Winter Garden, Fla.

### Congratulations due

I enjoyed the article how three Americans are using the "Ultimate Weapon in War on Poverty" in your February issue.

Please send me Carl James' address so that I may congratulate him.

B. P. MIXON, CLU  
Hall-Mixon & Associates  
Columbus, Georgia

Your recent coverage of the "Ultimate Weapon in War on Poverty" is well done.

We would like to get copies or reprints of this article mailed to Senators and Congressmen who now are starting a tremendous "squandermania" program.

It might be wise for them to read this and realize that you cannot buy ambition.

Again, our congratulations on a good job.

E. W. LAWLER  
Lawler Co.  
Metuchen, N.J.

### Not profit

In your February issue, Washington Business Outlook—"Corporation taxes go up"—do you really mean "Those with \$100,000 or more taxable profit?"

It was my understanding it was "those with \$100,000 or more tax liability?"

A. R. PATON  
Cook Heat Treating Co. of Texas  
Houston, Tex.

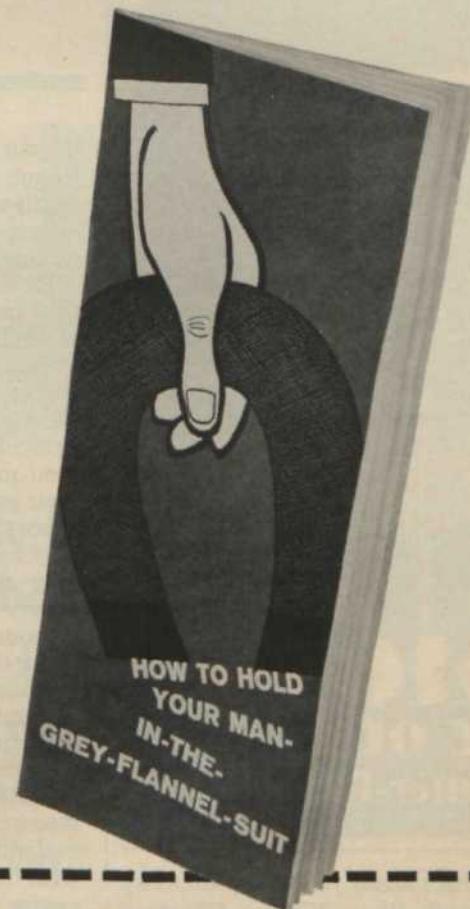
► You're right.

# 9 WAYS TO KEEP YOUR KEY MEN

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## Executive Trends

- Budgeting for brainstorms
- Why it pays to look twice
- New hints for selling abroad

If your business is under pressure to get untried ideas translated into profit-making reality, you might take a tip from the Radio Corporation of America.

RCA has a system for handling this problem. It's called the Applied Research Funds Program.

When a promising idea for a new product or process emerges from RCA's big research complex at Princeton, N. J., company officials then must plant the idea in one of their product development divisions. Since the managers of these divisions are hard-nosed businessmen who may not feel they have sufficient money or manpower to tackle development right away, the applied research funds come into play.

These are specially budgeted amounts which can be made available quickly to finance initial developmental activity in any division. Sometimes they pay the salary of a researcher who is detached from his assignment in Princeton to work with division personnel, or used otherwise to bolster a division's budget.

"The whole idea is to make the transition from the lab to product development as smooth as possible," explains a company spokesman. "Once the idea has a firm foothold in a division it becomes the division's baby."

The system has worked well in a complex market where three to five years elapse between research breakthroughs and introduction of a new item.

advice and then not checking later to see if the advice still makes sense.

This warning comes from Richard F. Perdunn of New York, president of the consulting firm of Stevenson, Jordan & Harrison.

To illustrate, Mr. Perdunn tells of this assignment:

The client was thinking of branching into a new market. The consultants were hired to assess the feasibility. They recommended the move—but quickly.

Months passed before the company was ready to go. Then management asked for a final check. The consultants reported back that many of the advantages prevailing when they first made their recommendations no longer existed. In the face of these findings, the plan was scuttled.

The United States is losing its status-symbol selling power with Europe's consumers, according to American businessman Elmer Winter.

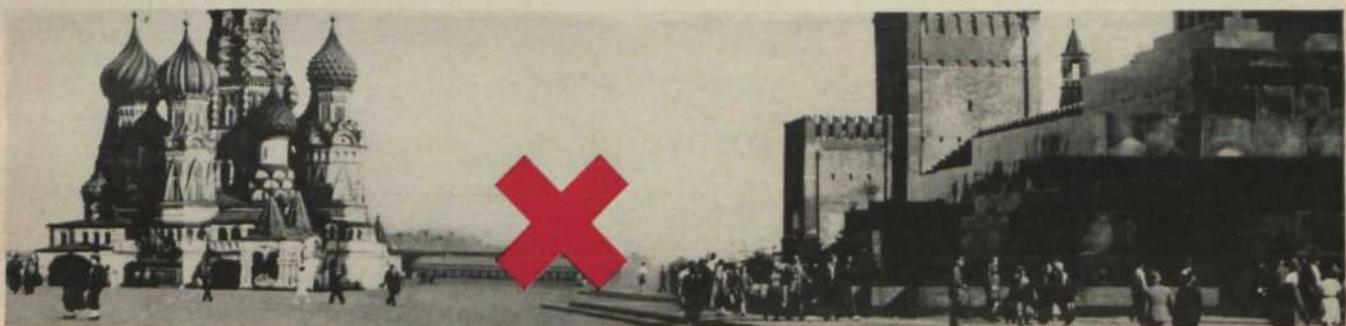
Mr. Winter heads Manpower Inc., a company which offers temporary employee services through offices in this country, Western Europe and Latin America.

He says his surveys of the American business position in Europe convince him that "Made in USA" is no longer a compelling sales feature of the goods we export. "The consumers of Germany and other countries are choosier now," he explains. "It takes a harder sell by our people to reach them."

Here is what Mr. Winter recommends:

Design more of your products and

# There is no Avis office in Moscow. But we're working on it.



A likely location.

We found a nice spot right in the heart of downtown Moscow, between St. Basil's and The Tomb. Now we just need a "Da" from the Commissar of Transport.

And about time. We're almost everywhere else.

If we ever get the right papers, we'll gladly rent you a new Ford. Or a Zil, Volga or Moskvich.

With empty ashtrays. A full gas tank. And a comradely smile from one of our girls. (Just like Avis U.S.A.)

A call to any Avis office would arrange it all. As it does now for rentals in Europe, the Caribbean, North Africa and the Far East.

We've been doing this sort of thing for years.

Though the Russians will probably say they invented it.

*continued*

services to meet the specific needs and tastes of Europe.

Send only top-flight sales representatives to European countries.

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• • •  
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Item: Almost any system your company adopts should be reviewed periodically to insure against obsolescence. Incentive plans for managers are a good example. Specialists say they should be checked yearly.

Data processing is another field in which it's wise to watch closely for changing developments. One consultant tells of organizations that discovered their EDP setups were outdated even before they began to operate.

• • •  
**Your business**—indeed any business—has a concern with profit improvement that is sharpened by the stiffer competition of today's market.

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To make a profit-improvement program succeed, says Illinois manufacturer Thomas W. Regan, two things are needed: 1, setting realistic goals which middle management will consider attainable and, 2, close and continuing attention by top management to the profit-improvement effort.

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Mr. Regan early directed his attention to reducing fixed expenses in the home office, fixed expenses at plants, territorial selling expenses, raw material costs and other items. Annual profit plans for each General Box plant were drawn up and plant managers were given dollar goals for sales and other expenses. Deviations from items in the budget had to be explained immediately and in writing.

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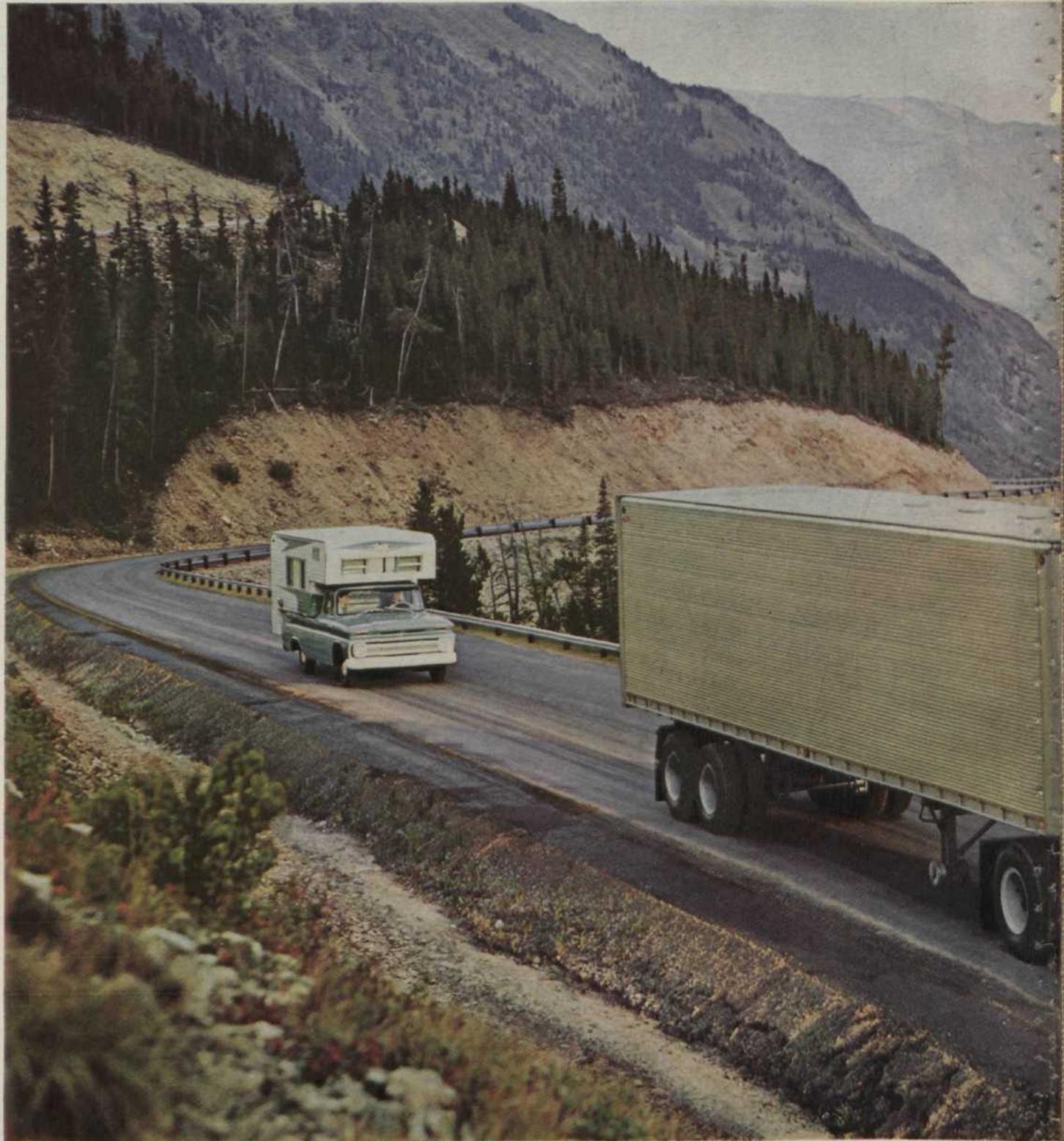
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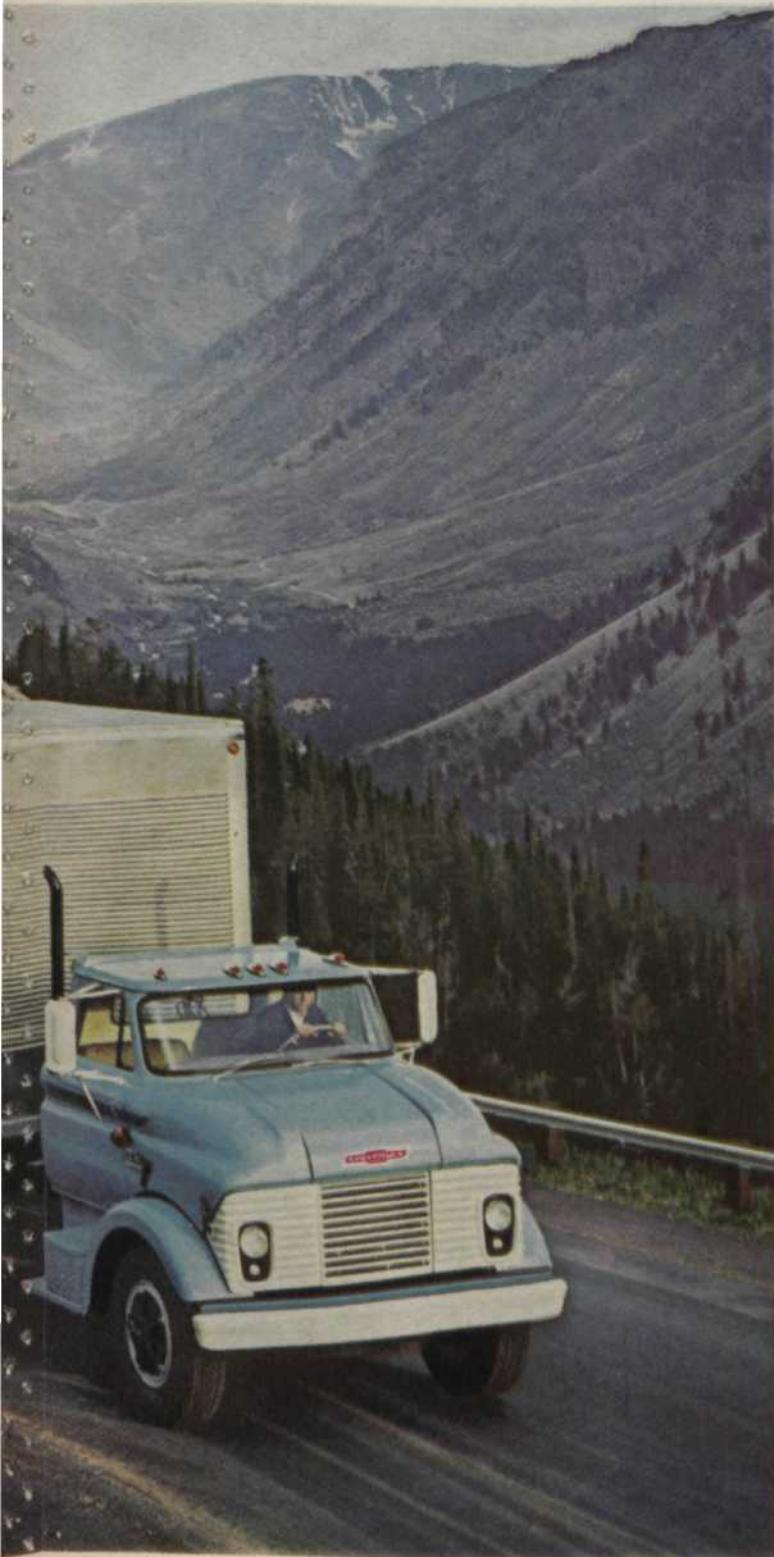
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Here's how "brunnels" look to a bird

continued

advantageously located and efficient facilities; some jobs were consolidated or eliminated; sales territories were consolidated to enable the company to reduce its sales force; each department was made aware of the profit-and-loss situation in all company plants.

Mention training in most circles and you'll stir up a mind's-eye picture of men in shirt sleeves, sitting around a table, discussing production scheduling, sales forecasting or problems in communication on the job.

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To Santa Fe managers and employees, training means the company's pioneering Institute of Business Economics, an annual course conducted at the University of Southern California.

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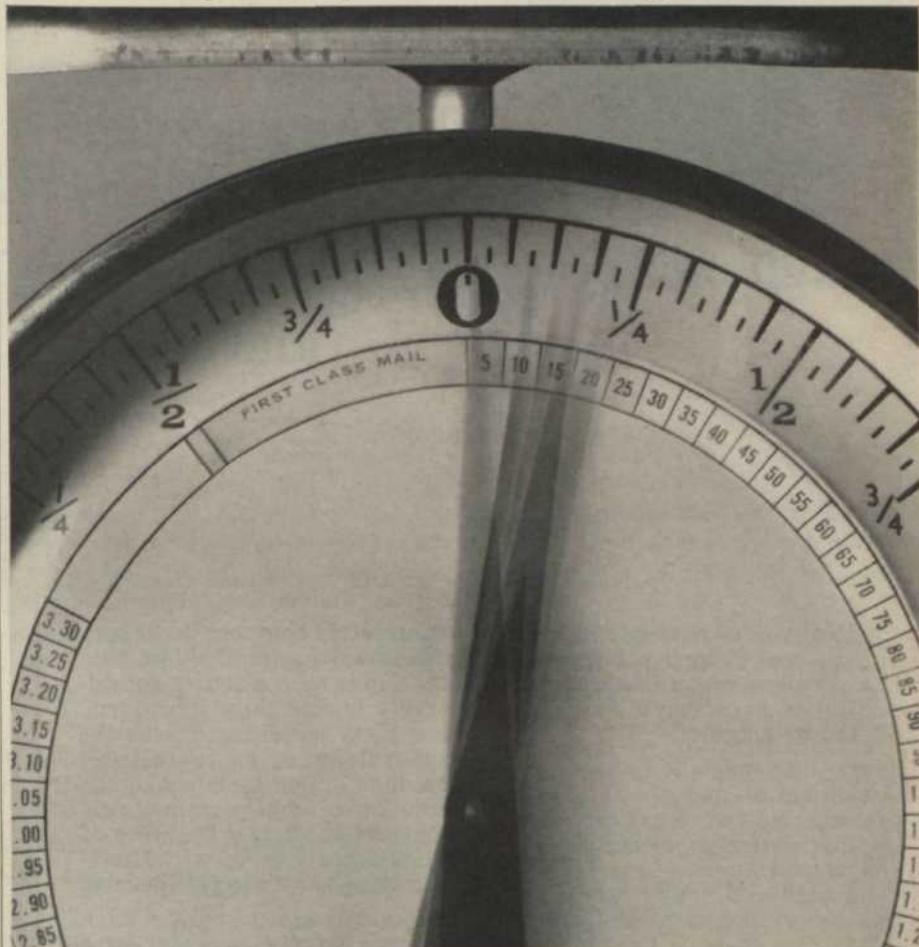
The men take their families along (babysitters are provided) and for six weeks "are out of touch with the railroad business," according to Vice President R. W. Walker.

The program was started in the early 1950's. Its greatest value, company spokesmen contend, lies in the mind-flexing exposure to subjects other than railroading. They argue that this can be just as important in equipping men for greater job responsibility as participation in other Santa Fe courses directly related to their work.

Says Mr. Walker: "We're trying to give our people more knowledge of the economic and political world in which we operate our business."

Has the USC program paid off? The company's top officers say it has. They point out that a number of middle managers who took the course moved up to key jobs; they see a direct connection between this progress and the broadening effects of the institute. Many graduates have become active in political and civic affairs. Others, victims perhaps of what Mr. Walker calls, "industrial provincialism," are reported to have acquired a richer understanding of areas beyond their own jobs.

## Two things that shouldn't bounce, checks, and your mailing scale!



Their scale was bouncy—they had to wait for the indicator to settle down and come to a stand. The markings were close together, small and hard to read. A Pitney-Bowes S-120 was brought in, placed by the other scale. Then 24,000 monthly statements were weighed on the old scale and re-rated on the S-120. One envelope in four was carrying excess postage—wasting about \$1,200 a year on statements alone!

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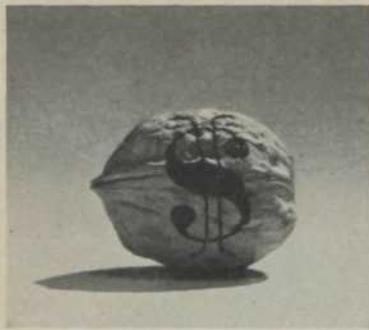
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## Summit diplomacy: Next test for LBJ

BY PETER LISAGOR

MOST professional diplomats continue to believe that the President of the United States squanders some of his great prestige and authority when he goes galavanting off to foreign capitals to practice summit diplomacy or simply to engage in some high-level fraternizing. They would argue, with de Gaulle, that the mystique of leadership demands a certain aloofness, that the aura of strength and wisdom can be cultivated best in the isolation of the White House, the Elysée Palace or even the Kremlin.

Despite their misgivings, however, the exchange of personal visits between the President and foreign heads of government has become an accepted fact of international life today. The novelty of such visits has been so thoroughly eroded that the head of a newly minted African state, for example, could drop into the White House nowadays almost unnoticed, even though clothed in a swirling blanket of colorful kente cloth topped off with a spangled skull cap.

And, indeed, the practice of summyry in crisis, which could bring heads of state together to negotiate an end to escalating warfare, is also probable.

On the ceremonial side, the routine has lost much of its old glamour. Even Washington's society reporters, who don't weary easily and who can still stand the sight of soggy canapés and wilting shrimp and kindred delicacies of the buffet table, have grown a trifle jaded from their endless rounds of embassy receptions for monarchs and prime ministers.

These gifted ladies probably long for a quieter time, when world leaders came to these shores by boat and were met in New York by a fastidious greeter, the mayor's man in a frock coat and striped trousers, and then dispatched by train to Washington, where splendid pageantry like that of an Old World court wedding or funeral awaited them. In that lamented peri-

od between the two world wars, the cars still wore running boards and well bred and festooned horses still enjoyed a modest vogue in front of the ceremonial carriage.

These visits were rare and of little political consequence. Protocol was more important than politics.

The Second World War, the creation of the United Nations, the onset of the cold war and the decline of the colonial era with its proliferation of new states



Any future foreign tours will be more than good will gestures

—all these developments conspired to change the travel habits of world leaders. The perfection of jet aircraft doubled the pace of a cranky, and often unwilling, togetherness among nations, enabling heads of government to become virtual commuters.

The rules of protocol, once as rigid as the starched shirt fronts of the imperial court, have been streamlined to meet the new situation. Under President Kennedy, the custom of welcoming visiting leaders at the airport was abandoned. Instead, the distinguished arrivals began to be flown via helicopter to the south lawn of the White House for the official welcome. This not only saved the President the sev-

*Mr. Lisagor is the White House correspondent for the Chicago Daily News.*

## TRENDS: WASHINGTON MOOD

eral hours required to go to and return from the airport, but it put the welcome into an inspiring frame—the Washington Monument in the foreground and the White House in the background. (Some chronic wags have said that it is not inappropriate that the Treasury building should be next door, perpetuating the myth that most foreign leaders come here with sticky fingers and hat in hand for the sole purpose of euchring Uncle Sam out of aid money.) Only the most hostile, or churlish, of visitors can fail to be impressed by the historic backdrop as the honor guard presents arms and the band plays the national anthems of guest and host.

• • •

Ceremonials aside, the practice of personal diplomacy was first given a restless new dimension by the late John Foster Dulles, secretary of state under the Eisenhower Administration. His travels became legendary as he flew across the world in a tireless quest for the formula that would not only contain but roll back communism. There was considerable grumbling among ambassadors who felt that their traditional role was being usurped, but Dulles was a man who carried much of U. S. policy under his hat and wanted to do his own work, whenever possible.

In retrospect, it seems almost inevitable that President Eisenhower, the commander of the Allied armies in Europe and a man of vast international prestige, would be a pioneer of summit diplomacy. His 1955 conference in Geneva with Bulganin and Khrushchev, the Soviet pair who became world tourists themselves, may have broken new ground, but it settled nothing beyond giving both sides a first-hand impression of each other.

Four years later, in 1959, personal diplomacy went on something of a rampage. Vice President Richard M. Nixon visited Russia on a mission of good will, debated Khrushchev in public and argued with Soviet "plants" in copper mines and steel mills the merits of U. S. policy of maintaining military bases abroad. Khrushchev and Ike concluded an agreement whereby the former would come to the United States, to be followed later by an Eisenhower trip to Russia.

Khrushchev came to America, leaving a trail of boasts, earthy comments and a threat or two from coast to coast. He was squired by Henry Cabot Lodge, the U. S. ambassador at the United Nations whose chief responsibility was to deliver the Russian guest to Camp David in the Catoctin hills of Maryland in a reasonable frame of mind for conferences with the President.

A general judgment at the time, and later, was that Khrushchev's eyes were opened to the vastness, the strength and the affluence of this country's capitalistic society, and that, while he blustered on occasion to compensate for a suspected sense of inferiority, he was nevertheless sobered by what he saw. As one who accompanied him on his American travels, this reporter shares the view that it did no harm to allow the abstraction of the United States to come alive for

a man weaned on the most odious propaganda. How much good it may have done is another question.

The so-called "spirit of Camp David," like that of Geneva, was as ephemeral as a puff of smoke, although it would probably have been worthwhile if Ike had eventually gone to Russia, whose people surely would have been hospitable and impressed by his charming way with a crowd. But when the Russians shot down Francis Gary Powers and his U-2 spy plane over Sverdlovsk, Khrushchev used the incident not only to torpedo a summit conference in Paris but to withdraw his invitation for Eisenhower to visit the Soviet Union.

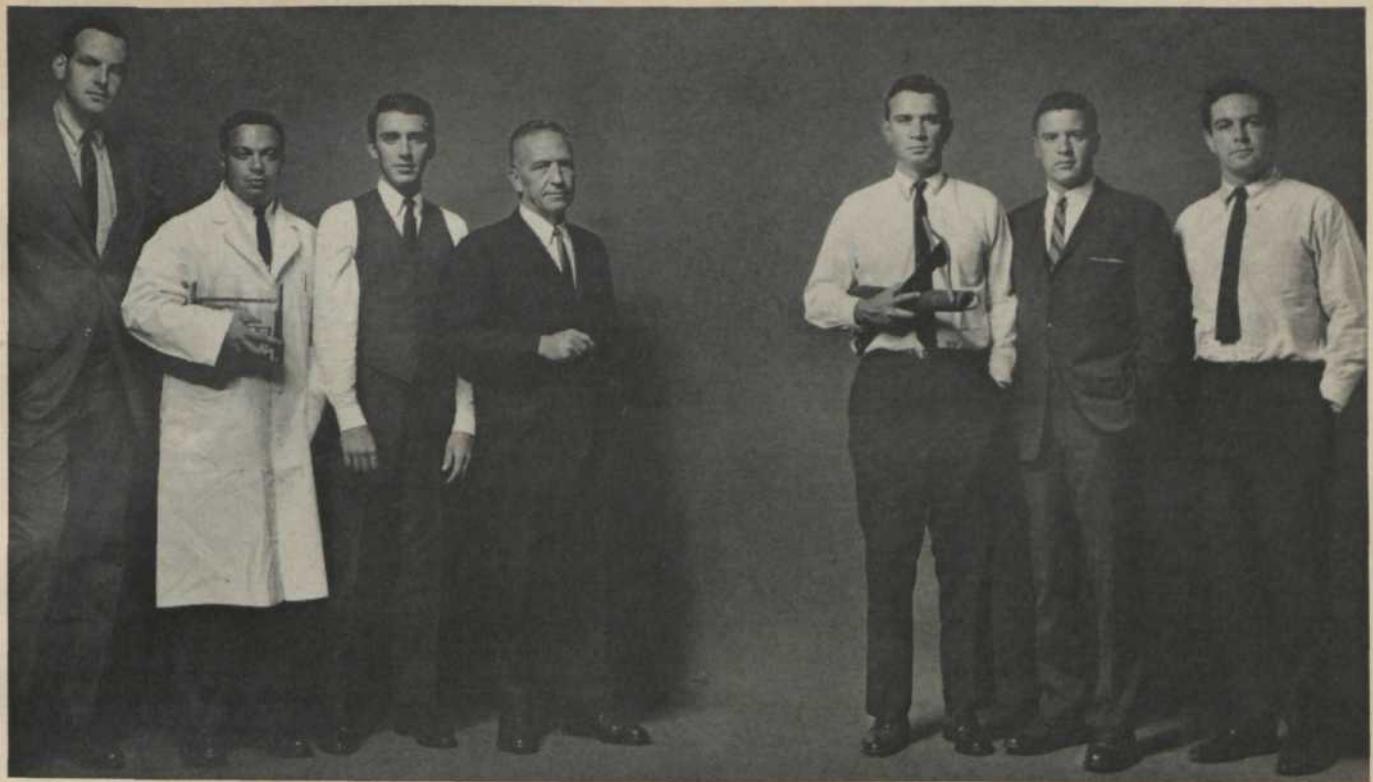
Between Camp David and the summit that was never reached, Mr. Eisenhower traveled to India and almost a dozen other countries and later journeyed into the Far Pacific, there to have an invitation to visit Japan withdrawn at the last moment because of riots in the streets of Tokyo. It was a humiliating moment for the Old Warrior who had dreamed that his last years in the White House might be used to chip away a few obstacles to peace. No doubt there was considerable good will in the millions who greeted him in Greece, Turkey, Iran, Pakistan and India and in Manila, Seoul and Taipah and, beyond the embarrassment of Japan, nothing was lost. The will-o'-the-wisp of peace, however, eluded his grasp, and the communists went on in pursuit of their aims.

• • •

Although many of those who came into office with President Kennedy, including Secretary of State Dean Rusk, publicly questioned the value of the presidential trips abroad, it didn't take long for the youthful new Chief Executive to follow the precedents of General Eisenhower. Foreign leaders wanted to meet and take the measure of this "new generation" American, who in turn found meetings with them a form of tutelage in international affairs. In his first two years, he met with some 74 top government officials from overseas, more than President Roosevelt encountered in 12 years and President Truman in eight.

Mr. Kennedy traveled to Latin America and did a memorable tour of Ireland and Germany. But in terms of statecraft, his most important visits were to de Gaulle in Paris and Khrushchev in Vienna. The latter confrontation revealed to JFK the uncompromising face of the adversary. For his part, Khrushchev appeared to have misread Mr. Kennedy by a very wide margin, for he believed that he could get away with installing missiles in Cuba, and it required a grim showdown to demolish any further illusion on the Russian's part.

Even before his inauguration, President Johnson disclosed in his State of the Union message his hopes of traveling in Latin America and Europe this year. The White House anticipated that foreign heads would come at about two a month. Allies come to iron out misunderstandings and differences and to concert actions; adversaries to see if they can negotiate on their old, oft-rejected terms; and neutrals to keep a foot in the door and possibly pick up a loan or two. And it matters not greatly who occupies the White House when they come. The visitors know that's where the power rests.



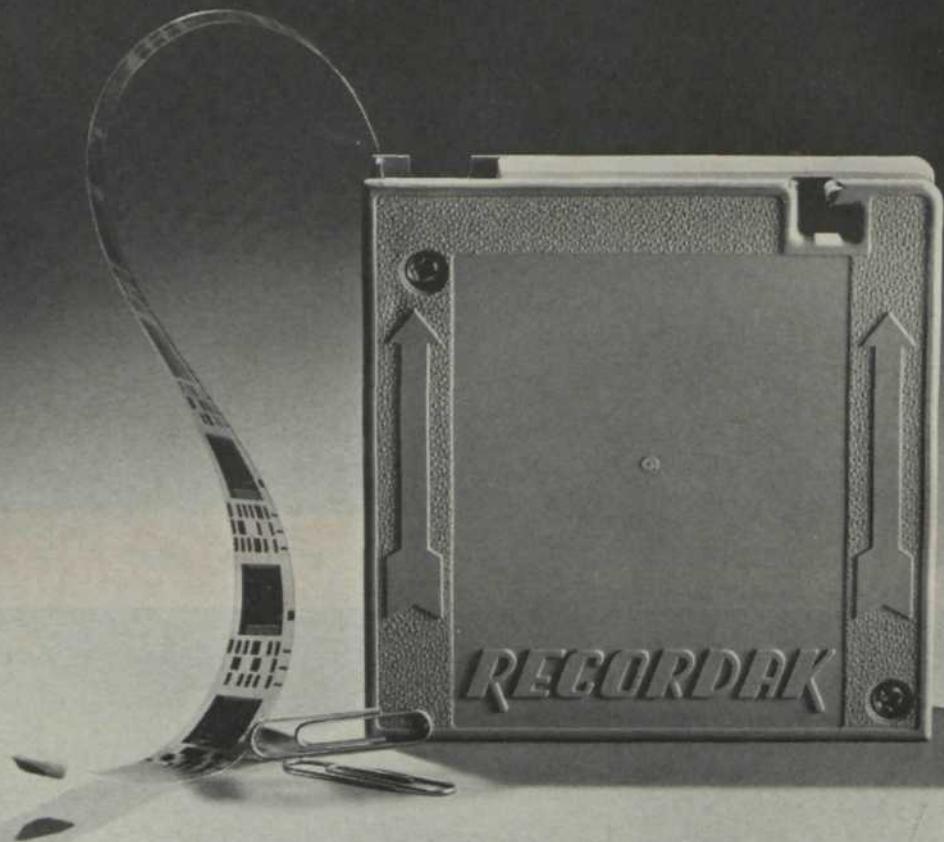
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## The great risk of the Great Society

BY FELIX MORLEY

JUST AS PERTINENT as the cost of the Great Society, though much less discussed, is the question of whether it can, in practice, be attained by governmental action. One fears that the answer must be: Only under a much more authoritarian rule than the American people have ever, as yet, been willing to accept.

The basic problem of unemployment helps to illustrate. Communism has undoubtedly solved that problem, after a fashion. An unskilled Russian, whether displaced by automation or otherwise out of a job, is simply drafted into the army or ordered to some menial civilian occupation. Whether he or she enjoys the work assigned is wholly immaterial. Because of this dictatorial procedure the Soviet government can, and does, compare its full employment with scornful reference to the persistent five per cent out of work reported by the United States.

But if we look closely into the actual character of our unemployment quite a different picture emerges. The statistics include housewives who have held remunerative jobs in the past and are willing to work again, at hours and in places of their own choosing. They include youngsters who have given up schooling in search of income which will get them a hot rod, a weekly hairdo or other enticing pleasures. The unemployment statistics include older people unwilling to leave the depressed areas where work is scarce. And they include not a few who would rather live on relief than accept a disagreeable job. In Russia all such people would be hard at work, at wages they would not be entitled to question.

• • •

This is not to assert that all the unemployed in this country are voluntarily in that condition; nor to suggest that there is no misery and suffering from involuntary unemployment. Nevertheless it is true

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*Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.*

that the American way is not to make work legally obligatory, except for the relatively few who are called into military service. And as long as that free system prevails, human nature being what it is, we shall have the unemployment which slavery so easily eradicates.

Between the relief of unemployment and its elimination there is, unfortunately, an inherent contradiction. The more adequate the support provided for the workless, the less will be their incentive to support themselves. Often this sociological law works out fortunately for mankind. The great artist, Vincent van Gogh, in his lifetime never sold even one of his now almost priceless paintings. He was enabled to stick to his unprofitable easel by the faith and charity of his brother. Today the museum that possesses even a single van Gogh is by that fact alone distinguished.

There is, of course, inefficiency in a system which maintains that individuals should have the right to choose just how and when and where they exercise a lawful talent. For every unemployed van Gogh, or Poe, or Mozart, there are doubtless thousands of drones who will never produce anything of beauty or value. But the emphasis on freedom pays off with sufficient frequency to justify some subsidization on other than humanitarian grounds, even at public expense.

A new concept in subsidization is, however, apparent in President Johnson's visualization of the Great Society. Evidently it is his belief that by pouring out billions, improvement of many kinds will come as an almost automatic result. The greater the expenditure, he suggests, the greater will be the accomplishment. That belief ignores the contradictions inherent in the planning of any representative government.

These contradictions are already disconcerting enough, even while the concept of a Great Society is no more than a political talking point. Beautification of our cities is one of its worthy objectives, involving expansion of the federal urban renewal

## TRENDS: STATE OF THE NATION

program. Unfortunately this has demonstrated that wholesale elimination of slums tends not only to create new blighted areas, but also to increase unemployment.

In his well documented book, "The Federal Bulldozer," Prof. Martin Anderson of Columbia University has collected evidence of both these defects which is as yet uncontested. Researchers at Brown University, he tells us, "found that 40 per cent of the businesses in the urban renewal areas of Providence, Rhode Island, had to go out of business." In many cities adjacent districts have deteriorated as old ones were improved.



In other fields of potential improvement the right hand of the planners also works to obstruct what the left hand is doing. A major objective of the Great Society, as stated, is to insure that no worthy American youth shall be denied college training through lack of financial means. Scholarships are to be made freely available at government expense. Yet simultaneously other governmental agencies are draining away from the colleges a large proportion of the better teachers who alone can make higher education worth while.

The president of the Carnegie Institution of Washington tells us, in his current annual report, that of all the qualified scientists in the country "nearly three in every five were [in 1963] engaged in projects supported or sponsored by the federal government, or located within the government itself." A sister foundation, the Carnegie Foundation for the Advancement of Teaching, is deeply worried by this professorial flight from the campus to government jobs.

Better transportation is another objective of the Great Society and experimental high-speed trains, shuttling swiftly from Boston to Washington and back, are promised as an initial rail improvement. The development is heralded, ironically enough, just as the bankrupt New Haven, dragged down by stifling regulations, humbly petitions for the right to abandon all passenger service over a part of this very route.

Indeed one cannot examine any aspect of the Great Society without turning up existing inconsistencies which cast grave doubt on the possibility of attaining Utopia by governmental action. In the field of public health the surgeon general warns us against smoking. But even as he does so the Department of Agriculture goes on paying what are in effect substantial subsidies to tobacco growers. If the one position is well taken, obviously the other is not.

Some of the contradictions are, even for a patient people, scarcely tolerable. Illegitimacy and juvenile delinquency are frequently related problems. Yet relief programs pay a bonus for illegitimate children as delinquency mounts. A variant of this problem is the case of those elderly couples now living together

out of wedlock, so that a widow need not lose the social security benefit which she would forfeit with remarriage. The practice is scarcely compatible with the ideals of the Great Society, as promoted.



If these conflicts in policy were merely a result of bureaucratic bungling, they would be less serious. Inconsistencies could be removed as they became apparent, as is done arbitrarily in Russia.

But in a democratic society, pledged to the principle of "one man, one vote," contradictions are a built-in hazard. Voters form into conflicting groups and the lawmakers must lend an attentive ear to their lobbyists, or else risk repudiation at the polls. Consequently, with a few courageous exceptions, Congress tends to favor all strongly urged expenditures, regardless of whether or not the objectives harmonize. Then multitudinous federal agencies are set up to administer conflicting policies and happily go their various ways, regardless of cross-purposes.

What causes concern is the certainty of increase in these stultifying inconsistencies, assuming that the contemplated Great Society is to remain a free society, as President Johnson surely hopes. Under our system it can be very difficult to put an end to unworkable governmental policies, even if no well entrenched interest seeks their continuance. The Prohibition era should have taught us that.

Disillusion is therefore the foreshadowed end of effort to produce this Great Society by legislative action. The more grandiose the effort, the greater the eventual confusion and frustration is sure to be. Conceivably Utopia could be attained by the well planned methods of a ruthless dictatorship. Fantasies have been written on that assumption and hard-core communists, in spite of dreadful failures, still believe it possible. But Utopia for a Marxist would be far from that to a thoroughly regimented American. He would more likely call it Hell.

A Great Society, directed by governmental agencies, implies centralized controls over every part and aspect of the society. Such a concept is directly at variance with the theory of a federal republic, under which the function and power of centralized government are sharply limited. From the constitutional viewpoint even the phrase is objectionable. A great society would necessarily be standardized and regimented, with spontaneous local effort subordinated to the assumed good of the whole. It would mean, in economic terms, the enlargement of centralized planning at the expense of the free market.

Yet it is the vitality of the free market, more than any other factor, which has brought the United States to the stage where a Great Society can be discussed as something other than an idle dream.

What Americans have accomplished is in large measure due to faith in spiritual rather than in political leadership. To turn from the former to the latter could mean that we have already reached our summit and are starting downhill. It could mean that instead of perfecting our society we are proposing to forget the elemental virtues which have already made it great.



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## Law professor spells out:

# DANGERS IN MORE FORCED UNIONISM

If Congress repeals right-to-work laws, it portends more strikes and growing political power for unions

THE MOST inflamed issue before Congress in years involves a four-line paragraph in the Taft-Hartley labor law—Section 14(b). It allows states to have right-to-work laws.

A right-to-work law forbids any labor contract that makes a worker join a union to get or hold a job.

Nineteen states now have these laws. All could be wiped out in one swoop by repeal of Section 14(b).

Organized labor has made repeal its primary target in the Eighty-ninth Congress. With President Johnson on their side and a Congress that stacks up as the most partial to their views since the New Deal, union lobbyists have high hopes of achieving their goal.

Opposing repeal of Section 14(b) are many of the 52 million workers—about three fourths of the labor force—who have not joined unions, most businessmen, many who are concerned about individuals' rights, and many members of Congress and other public officials and leaders in the 19 states which prohibit compulsory union membership.

To understand the full impact that repeal of Section 14(b) would have on your business and on labor-management relations in general, an editor of NATION'S BUSINESS interviewed labor expert Sylvester Petro, professor at New York Uni-

versity Law School for the past 15 years.

Professor Petro has written many books and articles based on his studies of major strikes, union violence and other labor-management problems. He was a member of several unions before entering law practice.

**Mr. Petro, how would repeal of Taft-Hartley's Section 14(b) affect the businessman?**

For one thing, it would increase the imbalance of power in his relations with unions, an imbalance which already is in the unions' favor. Unions would gain more bargaining power and get more control over jobs and the operation of his business.

Repeal of Section 14(b) would give the National Labor Relations Board a virtual monopoly over labor law developments, with unfortunate results from a public and business viewpoint. It would accelerate the Board's tendency to intervene in collective bargaining and to impose its judgment over that of the union and employer as to what is best for them.

In the 19 states with right-to-work laws great numbers of employees would lose the right they have to work without joining a union

—and many would have to join almost immediately to keep their jobs.

At the same time, of course, repeal of 14(b) would prevent other states from passing right-to-work laws and giving employees in their states the same protection against compulsory union membership.

### Would this lead to more strikes?

It could mean more strikes. Unions armed with additional power are likely to get more arrogant, to make more demands. The more they ask for, the less possible it's going to be for employers to give it. Then unions may be driven to calling strikes which they might not call if they didn't feel so powerful.

When some employees are not in the union, they can't be relied upon to participate in a strike. This induces unions to be a little more cautious about calling strikes. So it stands to reason that the effect of 14(b) repeal would be to encourage strikes.

Of course, supporters of compulsory unionism contend that it makes unions more responsible and labor relations more stable.

Stability can always be purchased at the expense of freedom, at least for the short run. You take communist states. From a certain point of view they are more stable

## DANGERS IN MORE FORCED UNIONISM *continued*

than this widely divergent, dynamic, complex society we have where freedom prevails to so much greater an extent.

I'm sure that businessmen would find their lives much less complicated and much more stable if they never had to worry about pleasing their customers and competing with each other.

In this same way industrial relations would be more stable if unions had absolute control over the workers and did not have to worry about keeping them satisfied, too.

The quest for stability must be harmonized and balanced by our interest in freedom without allowing either to destroy the values inherent in the other. We must, in short, tolerate a certain amount of instability if the elimination of that instability would involve us in a sacrifice of one of our extremely important values—namely, freedom.

A substantial reduction in freedom is much too high a price to pay for a dubious return in stability.

### Have you seen evidence of corruption connected with compulsory unionism?

All of the vivid examples of union corruption turned up by the McClellan Committee [the 1957-61 Senate investigation of corrupt labor practices] involved the traditional closed shop unions. It's logical. You give any man absolute control over another man and you're likely to produce corruption.

Compulsory unionism conveys to a union pretty near absolute power

over a worker's livelihood. As I see it, the most important—maybe the only—check of any significance on union corruption that we have today is the right of employees to resign from a union when they feel that they are being abused by their leaders.

Encouraging the growth of compulsory unionism, which repeal of 14(b) would do, would reduce significantly, if not eliminate entirely, this most important check on the abuse of union power.

### Would repeal of Section 14(b) give unions a special privilege which would further stimulate corruption?

It clearly would add to unions' special privileges. The more special privileges that anyone gets, whether it be a child, an adult or a group in society, the more likely they are to consider themselves above and beyond the law and act accordingly. When you think of the large spectrum of special privileges that unions now have, you should pause and consider very carefully what it would mean to repeal 14(b). Keep in mind the significance this special privilege would have. Unlike any other organization in our society, unions, even without the privilege of compulsory union membership, act as agents for people who have purposefully rejected them as their agents.

### How is that, Mr. Petro?

This is a consequence of the majority rule, exclusive bargaining

principle that has existed in labor relations law since the enactment of the original Wagner Act. Under this principle, a union becomes the exclusive bargaining representative of all employees in a bargaining unit even though vast numbers of the employees in that unit may have voted against the union.

This is a remarkable special privilege, especially in a society which prides itself upon personal freedom and freedom of choice.

### Would you call this a denial of individual rights?

To tell a working man that, even though he has expressed his will vigorously to the contrary, he must nevertheless accept a union as his bargaining representative, is to tell him that he does not have freedom of contract in this most important area of his life.

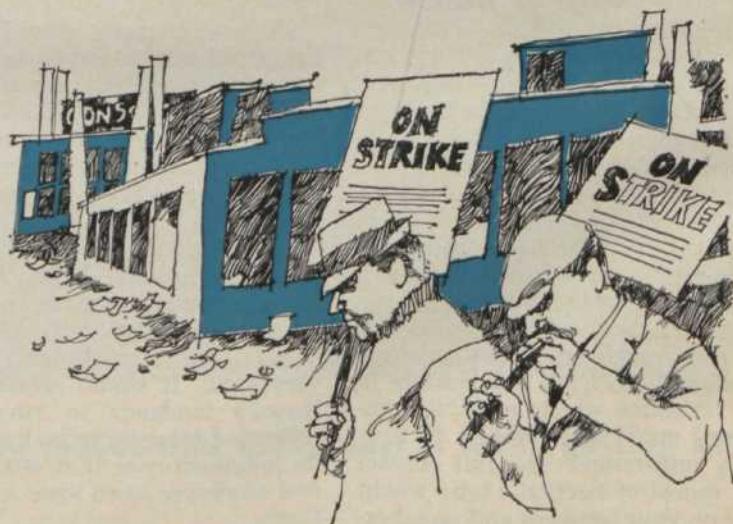
This creates a situation which, while distinct in some ways, has points in common with slavery. For that which distinguishes a free man from a slave is that a free man has a right to contract freely for his labor while a slave does not.

### Are you saying, Mr. Petro, that individual liberties would be sacrificed on the altar of labor stability?

Individual liberty has been sacrificed on some altar or other. The principal rationale of our labor relations policy grows out of an outmoded and often refuted theory—that working men are helpless unless they have union representation.



Prof. Sylvester Petro warns that if Congress repeals worker protection against forced union membership it will accelerate many labor abuses



More strikes are likely if unions acquire more power, all workers are forced to support a strike and don't have right to quit the union

In the face of the quite obvious fact that many nonunion workers are treated very well by their employers, and that in many areas of this economy nonunion workers are far better off than union workers, it remains to be proved that workers are helpless without a union.

It is competition for workers among employers themselves that leads to better wages and working conditions. The income of workers relates directly to their productivity. The real source of worker benefits is capital investment, which is the main source of increases in productivity. If you want to improve the conditions of workers, the thing to do is to encourage the growth and wise investment of capital.

#### Don't unions have special privileges under the antitrust laws?

Yes. Whenever trade unions act in their own interest they are exempt from the antitrust laws. They can restrain trade without fear of prosecution. An employer who restrains trade in the same way becomes subject to antitrust penalties.

But the special privileges granted unions by law are less significant than those they enjoy from the double standard of law enforcement which prevails.

The NLRB applies the Taft-Hartley Act very vigorously if employers are involved, but it is infinitely ingenious in the discovery of loopholes when union conduct is an issue.

Our police officials act as though

violence and intimidation in labor disputes is to be expected and should not evoke the same stern measures that intimidation and violence evoke when they are used by a private citizen.

Judges usually go much easier on pickets who intimidate workers who prefer to continue working during a strike than they do on non-union workers who may commit similar acts of violence and intimidation.

**Mr. Petro, unions contend that workers in a unionized plant should pay dues for services the union provides, otherwise they are free riders. Do you agree?**

No. The statement presupposes that unions do perform services for workers. I am not sure that they do and even if they do I'm not sure that they perform services for all the employees.

I know workers who have been directly and quite seriously harmed by union representation, rather than helped. More than that, it remains to be proved that unions are capable of even so simple a service as raising wages.

There is a very respectable school of economic thought which holds that wage raises come about as a consequence of productive capital investment, not of union action. But beyond that, even assuming that unions perform a service, I do not believe that anyone has a right to force his services on anyone. The union charge of free riders is a se-

mantic trick. The truth is that in many instances the employees who don't want to be union members are forced riders—not free riders.

Now as to the rights that a worker gives up when he must join a union—he gives up the right to bargain for himself. An individual worker has more bargaining power than most people think. I know of cases where workers were forced to take pay cuts because the union ordered the employer to quit paying wages higher than the union scale.

A worker who has a grievance against an employer may not take it up himself. He must go through the union. If the union refuses to prosecute his grievance, he's out of luck.

Able and efficient workers are sometimes penalized by the tendency of unions to restrict production to the lowest common denominator. There have been recent cases in which unions have fined workers because they exceeded union production quotas. This is a pretty situation when a worker, because he's joined a union, is compelled to earn less than he otherwise would earn.

A worker represented by a union forfeits his right to decide whether he wants to strike. I doubt that there is a union which doesn't penalize members who cross a strike picket line to go to work.

A union member can be compelled to picket and to engage in

(continued on page 57)



*More corruption results when union controls worker's livelihood; check against abuses is eliminated while unions get new special privileges*

*More political spending with union dues which gets around legal bans will force more workers to support politicians whose views they oppose*

# WHO SAYS SHOPPERS ARE

KODAK SAFETY FILM



A Nation's Business experiment finds that even inexperienced teen-agers aren't at all confused by packaging, pricing or labeling

A HEART-TUGGING melodrama is playing in Washington these days, starring Connie the Confused Consumer in the role of typical American shopper.

Connie's ordeal takes place in an average supermarket, where alluring but deceptive labels leave her dazed and helpless.

In her moment of peril, Connie is rescued by Uncle Sam, armed with something called "Truth-in-Packaging."

This melodrama has received rave notices from some people in the nation's capital.

But not from business. And not from most consumers. They see the melodrama as more fiction than fact.

Political concern about the consumer in recent years has been channeled into a drive for enactment of so-called truth-in-packaging legislation. It would give the federal government the power to set up new and complex controls and standards over the packaging and labeling of many consumer items.

This would be in addition to present federal laws requiring purity and quality in foods and drugs, and honesty in packaging and labeling.

NATION'S BUSINESS conducted its own experiment to test the need for greater consumer protection. The experiment showed that even young, inexperienced students can be intelligent and resourceful shoppers in today's supermarket, that they are neither befuddled nor deceived by what they buy.

Here is what happened:

Six teen-aged girls and a home economics teacher were selected at random from Yorktown High School in Arlington, Va., a suburb of the nation's capital.

Each test shopper was given a list of 35 categories of food and household commodities. None of the volunteers was told the purpose of the test. None was told how much to spend, how many items to buy in the various categories, or which brands to select. Two of the students had no previous shopping experience and none

was familiar with the supermarket used in the experiment. All shopped immediately after the terse briefing, after school hours, by themselves, and without consulting with the others. The school had no official connection with the experiment.

The only hints given were: "Buy as if you were a homemaker," and "Use your own judgment."

All items on the shopping list have been cited at one time or another in congressional hearings as fooling or confusing the nation's housewives.

When the students completed their swings through the supermarket they were interviewed separately by a NATION'S BUSINESS editor. In addition, their purchases (bagged and returned to the school) were carefully checked over by Mrs. Lucy Nicholas, a teacher of home economics at Yorktown High.

The experiment results showed that:

Purchases the girls made were—in the judgment of Mrs. Nicholas—intelligent.

# STUPID?



PHOTOS: CARL PURCELL



They were able to buy with a minimum of wasted motion and with few requests for assistance from store personnel.

None had any difficulty understanding printed information concerning price, weight or content of the items she bought.

The experiment revealed other things about the young shoppers. It showed that they are very much aware of brand names, that they are well informed on new methods of packaging and that they pick items off the shelf more on the basis of family influence and personal taste than price advantage.

A typical comment: "Sure, I knew that Brand A was less expensive than Brand B, but I bought Brand B anyway because I think it's a better product."

There was nothing in the test results which indicated that the shoppers found packaging and labeling deceptive.

Mrs. Patricia Bain, another home economics teacher at Yorktown (continued on page 87)

# BUSINESS PUMPS MILLIONS INTO DEPRESSED AREAS

Survey reveals job-creating investments in regions on government's hard-luck list

BY STRAIGHT STATISTICS, the town of Buckhannon, W. Va., sits in a depressed state in the depressed Appalachian region of a nation with one third of its counties listed as depressed.

But the new, yellow-brick plant on the outskirts of town, the new bank building and the new homes under construction tell an entirely different story.

And Buckhannon is no isolated pocket of prosperity, in terms of either West Virginia or Appalachia. In fact, it is typical of countless communities across the nation where private business is investing job-creating millions.

The depressed area tag is applied by the Area Redevelopment Administration in Washington to communities of low-income population or severe or persistent unemployment.

The designation makes a community eligible for the agency's low-interest loans for commercial and industrial ventures; loans and grants for public facilities; grants for training unemployed workers, and technical assistance in promoting local development.

The goal is to cure unemployment by stimulating job-creating investment in these areas.

Private business has been doing just that without fanfare in many states and localities which have symbolized economic stagnation for years. This is shown by a NATION'S BUSINESS survey of state agencies, talks with businessmen

and on-the-spot reporting. New facilities, expansions and modernizations; new payrolls and call-backs of unemployed workers; rising construction, retail and service activity—all this is evident in areas where some politicians imply that not a wheel would turn without grease from Washington.

Here are a few examples of recent developments:

Johnstown, Pa., where unemployment soared past 18 per cent a little over three years ago, now registers below six per cent. The main rea-

son: stepped up activity in coal and steel.

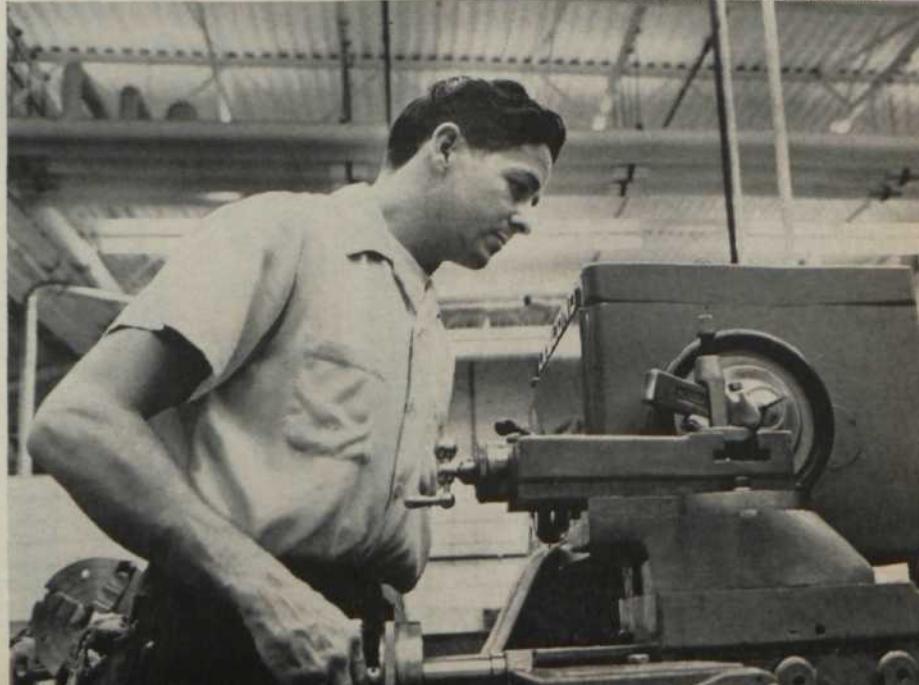
Purely private investment in Michigan, where a majority of counties are listed as depressed, nearly doubled to \$700 million in 1964 over 1963.

Iowa's only two counties on the depressed list were scratched as a result of an economic upturn that included opening of a plant by a Union Carbide Corp. subsidiary.

Some of the improvement is directly related to the nation's prosperity, especially in the basic steel

*Leo Williams, an employee of Moore Business Forms, operates a lathe at the company's new \$3 million plant at Buckhannon, W. Va.*

PHOTOS FRED WARD—BLACK STAR





*Continental Can's fiber drum plant at Culloden, W. Va. illustrates new development attracted by the state's booming chemical industry.*

and automobile industries. Key developments in major industries, such as mine-mouth power generation and improved technology in the coal industry, play a part.

#### New plant opens

Then too, there are the efforts of state industrial development agencies, state and local business groups, promotion-minded utilities, and new and expanding businesses which select a location for such hard-headed reasons as wage rates, labor supply, nearness to resources and markets, and transportation.

A closer look at Buckhannon (pop. 6,386) shows what happens when some of these forces converge on a town.

Back in 1961, Corhart Refractories Co., a subsidiary of Corning Glass Works, opened a plant at Buckhannon to manufacture heat-resistant materials for the furnaces of the steel and glass industries in the Pittsburgh area.

Unemployment in surrounding Upshur County, of which Buckhannon is the county seat, stood at a seasonal high of 13.8 per cent in December of that year.

Corhart's payroll initially was 25; now it has passed 100. About 80 per cent is unskilled manpower recruited locally.

Another development was the \$250,000 conversion of F. C. Cook and Co. from residential flooring to laminated flooring for trucks, railroad cars and industry.

The owner died during the con-

version, and the plant was picked up by Hardwood Corp. of America. The conversion was completed last year, and resulted in a 50 per cent increase in payroll to 120, mostly hired locally.

You can't see all the effects from the company office in Buckhannon; they're spread around the hills 75 to 100 miles away.

Assistant manager David V. Wise notes that Cook buys most of its lumber within the state from 75 mills, some small operations run sporadically by farmers earning an extra dollar. He estimates that one job at the plant keeps five men busy in the woods.

About the same time there occurred what Buckhannon Mayor James D. Hinkle, Jr. calls "one of the greatest things that ever happened to us."

This was the start of operation of a \$3 million tabulating card plant of Moore Business Forms on a 15-acre site on the main road out of town. The plant now employs 100 and will have a work force of 200 within two years.

Payroll, now about \$10,000 a week, is expected to reach \$1 million a year within four or five years as the plant reaches full production and its full complement of workers reaches top scale.

Much of Buckhannon's story and the plant's role in the community is summed up by Moore's plant manager, William F. Wilson.

Why did Moore choose Buckhannon as a location for its thirty-



*Bethlehem Steel Corp. coal cleaning plant processes output from a new company mine at Johnstown, Pa.*

second plant? Buckhannon is a small college town, the seat of West Virginia Wesleyan College, which would offer a desirable cultural environment. Its student body would help support local retail facilities normally found only in a larger town with more industry and consequent competition for labor at moderate wages.

The town also offered a site accessible by both highway and rail without surrounding heavy industry. Finally, Buckhannon's population was on the increase. Significantly, this was partly due to the Corhart plant which came in earlier.

What have been the effects to date?

The impact has been felt as far (continued on page 90)

# How Congress may bust the budget

Lawmakers this year could break with history and give the President more than he has asked



THIS MAY BE the year Congress increases rather than cuts the President's budget.

If so, it would be the first time in the recollection or records of congressional appropriations committees that Congress will have given an Administration more than it has requested.

Spending pressures now are at a maximum, economy zeal at a minimum in the new, heavily Democratic Eighty-ninth Congress. There are few ringing declarations this year about "trimming the fat" or "squeezing out the water." Instead there are grumbles that President Johnson didn't go far enough in his spending proposals or went too far in his economies.

A likely result: Congressional politicians will make the Johnson budget of just under \$100 billion for the year starting July 1 appear downright miserly by the time Congress quits.

There are those who point out that the Johnson budget is in fact already over the \$100 billion mark, that the President has used artificially low estimates and bookkeeping tricks to make it seem like less. It also can be argued that even if one were to accept the President's figures at face value the budget would end up over \$100 billion without congressional help. Administrations always tend to spend more than they budget and Mr. Johnson has left little room for expansion in his \$99.7 billion estimate.

Technically speaking, Congress does not vote on the \$99.7 billion expenditure estimate. What the President asks Congress to do is to appropriate a certain amount in new spending authority. Congress is being asked to appropriate more than \$106 billion for fiscal year 1966.

These considerations aside, there seems little doubt that the predominant pressures in Congress will be toward higher spending, barring massive opposition from back home. This is the reverse of the trend in recent years, when economy has been the keynote on Capitol Hill.

Apart from a prolonged international crisis, which, of course, could drive spending upward, the lawmakers probably will push the President's totals up in several ways:

- They'll vote some new spending the President hasn't included in the budget at all—public works projects and other programs believed popular with the voters back home.
- They'll vote to increase the amounts the President has proposed for some other programs—probably agriculture, for one.
- They'll deny him some of the retrenchments he has asked.
- They'll scuttle bookkeeping gimmicks he has used to hold down spending projections—probably including



one involving the Rural Electrification Administration.

- They'll make smaller-than-usual cuts in those programs on which they do reduce his figures.
- They'll push forward into next fiscal year some spending the President pulled into the current year in order to keep next year's total down.

#### **The tip-off**

Some lawmakers, of course, have been making the traditional economy statements, pledging sharp scrutiny and heavy cuts. But they are far fewer than usual and they seem to lack fervor.

The anti-economy wave dominated the headlines when the session first got under way. Senators bitterly protested the closing of veterans' hospitals in their states. The farm bloc rallied against plans to cut back on farm spending. Some education groups began pushing for higher school outlays than contemplated by the President. Sectional spokesmen sought to have their areas cut in on regional development programs.

The Administration may not shed many tears if Congress does push up spending. President Johnson is certain to go through the motions of opposing any such moves—if for no other reason than to keep his business and other economy-minded supporters happy—but he may be smiling behind his hand. His liberal-

labor backers have already begun to grumble that he is being too conservative.

His tacit approval—or at least his withholding of all-out disapproval—of additions to his spending programs may help pacify them.

Also, the President may be just as happy to let Congress break the ice on the far side of the \$100 billion mark, which has become the symbol of the line between thrift and spendthrift.

It could be useful to him to be able to say in his regular fall budget review, "Look, I'm terribly sorry, but because Congress did what it did this year's spending will actually be \$100.8 billion (or whatever) instead of the \$99.7 billion I proposed." Then the shock of passing over the \$100 billion line will have worn off by the time he presents his 1967 budget proposing spending of \$102 billion or \$103 billion or more—as he is virtually bound to do in view of the huge increases Great Society programs will demand as they go into high gear.

It certainly would fracture tradition for Congress to appropriate more money than a President requests.

"It's not likely, but it is possible," remarks one long-time House Appropriations Committee staffer.

Congress has come close in recent years. During the second session of the Eighty-sixth Congress, the lawmakers snipped a (*continued on page 94*)



# WHY POLITICS IS FOR YOU

By  
**GEORGE CHAMPION**  
Chairman of the Board  
The Chase Manhattan Bank

THE LONG POLITICAL SLEEP has begun. Not until the alarm bell rouses them once again to vote will many businessmen participate in public affairs or have any say in the governments that affect their business and personal lives.

With a new session of Congress under way in Washington and with 46 of the 50 state legislatures meeting this year, the time is opportune to remind ourselves that government is "we the people." And government—on the local, state and national levels—will never improve unless we improve the degree and quality of our participation in it.

John T. Connor realized that well. He gave up the presidency of Merck & Co. to accept appointment as Secretary of Commerce. His decision to leave his corporate post, at the age of 50, clearly involved some personal sacrifices, but he felt strongly about the need for more businessmen to participate more intensively in public affairs. At Merck, he had long been a forthright spokesman on public affairs,

VYTAS VALAITIS

a passionate advocate of our free enterprise system, and an alert and active student of politics. He is convinced that all qualified men in private enterprise have a responsibility to speak out on the affairs of government—and to make their talents available to serve the government when called upon to do so.

George Romney also appreciates the significance of government service. He resigned the chairmanship of American Motors to run for the considerably lower-paying job of governor of Michigan, and—against substantial odds—he won twice. As governor he has done much to introduce a sensible fiscal system into his state government and to restore local initiative. He has issued an explicit warning to the rest of us: "When the businessmen of a community duck their responsibilities as citizens, or perhaps even obstruct progress, they are in effect inviting Washington in."

#### **Why bother?**

Still, many businessmen ask: Why get exercised about the affairs of government? An obvious answer, it seems to me, is that government has deeply involved itself in the affairs of business. From the local school board to the federal Administration in Washington, all kinds of governments affect our methods of doing business.

The federal government is our partner in almost everything we do—and by no means a silent partner. It constantly advises and admonishes us. It buys almost one third of the output of our factories and absorbs almost one half of our

profits. The federal government is the biggest spender, the biggest lender, the biggest borrower and the biggest customer in the free world.

Yet government is something more than all that. On the local, state and national levels, it is the rulemaker and the referee. The officials of government have awesome powers to educate and persuade the public. They often use these powers to establish public standards of taste and judgment. In essence, the government sets the very climate in which businessmen operate—the climate of business.

Today there are some disturbing aspects about that climate and about public attitudes toward business.

I sense that certain elements within government have less and less sympathy for the principle of a balanced budget, and more and more willingness to experiment with spending projects that might bring on inflation.

I detect a deep-seated public suspicion that the profits of private business are somehow unfair and exorbitant—but I hear very little discussion of the fact that profits create investment, jobs and public wealth.

I note a rising feeling that bigness in business is automatically badness. And I conclude from these observations that free enterprise is being widely misjudged, misunderstood and indeed misrepresented.

If there are misunderstandings, though, the harsh fact is that we businessmen are partly to blame. We are simply not putting across our viewpoints effectively, either to our government representatives or

to the public as a whole. We are not proclaiming loudly enough the proven advantages of our freedom-of-opportunity system. There is too little vocal support for the demonstrated wisdom of the people in the market place, in contrast to economic decision-making by government.

This is dangerous because in a democracy such as ours, sound economic policies are dependent upon the public's understanding of the issues at stake. Until the facts about our system are known and believed, we are going to hear continued demands for bigger and bigger government spending, for wage increases that cannot be met without raising prices and for increasing government intervention in our economy.

Unless we in business add our voices to the chorus that moves political decisions, and unless we educate public opinion to the need for an even stronger freedom-of-opportunity system, we shall one day awaken to find ourselves living in a far less congenial world.

What can the businessman do? Not all of us can take front-line positions in government as did John Connor, George Romney, Robert McNamara, Douglas Dillon, Luther Hodges and others. Not all of us have the opportunity to do so, and not all of us possess the unique combination of skills needed to make a success of a public career.

But all of us can—and must—help government to comprehend the real meaning of business and contribute to the development of policies that will help our free-opportunity sys-

(continued on page 44)

Talking politics at Chase Manhattan seminar are Mr. Champion, left, James J. Maher, bank director of public affairs, State Senators John Marchi and Jack E. Bronston.

JAN JACHNIEWICZ



# A LOOK AHEAD

## Tax men shift tactics

(*Taxation*)

## War on featherbedding gains

(*Labor*)

## Muscles for old materials

(*Natural resources*)



## AGRICULTURE

Numbers game arguments heat up over farm population statistics.

At issue will be how many families need help from U. S. programs. Here are some basic figures to remember when government makes its claims:

There are some 3.5 million farms in U. S. now. President Johnson says only 1 million families can expect to make a decent living solely from farming in the future. He presumably means the 978,000 farms which now sell more than \$10,000 worth of products a year.

These, 27 per cent of farms, make 78 per cent of all cash sales, pay out 81 per cent of all production expenses and get 60 per cent of all net farm income. They clear an average \$7,767 each, not counting off-farm income.

What's left? Some 2.5 million farms. Farm analysts say 1.3 million of these are farms in name only. Owners sell little produce because they make living elsewhere. That leaves fewer than 1.5 million.

## CONSTRUCTION

Do you know what noise is?

Unwanted sound, such as a neighbor's kids, but not yours. It concerns researchers for National Association of Home Builders.

Builders forecast a new upswing in spending for quiet. But nobody knows how much people will pay to achieve what level of silence.

San Antonio builders will test market allure of quiet houses in their "Parade of Homes" this spring.

Manufacturers of insulating boards, plywood, other building materials, appliances play up noise-cutting qualities of their products. NAHB shows builders how to cut noise-conducting qualities of structures when putting them up.

Governments prod builders. Federal Housing Administration sets requirements on noise-deadening qualities of new apartments it helps finance. Some local governments forbid locating air conditioning units between houses.

## CREDIT & FINANCE

Frisky federal savings and loan associations aim new challenges at banks.

They seek Congress' okay to lend money on mobile homes. Another plan in works would give them power to buy shares in an international institution to invest in Latin American savings and loan central banks.

S & L's form jointly owned service corporations which would provide centralized computer services for members, cut costs.

Associations plan to take advantage of expected federal approval for establishing mobile offices which would travel to outlying customers. Uncle Sam lets federal savings & loans make loans within 100 miles of home office instead of 50 miles.

## FOREIGN TRADE

You'll hear more in months ahead about possibilities of a turnaround in foreign economic aid to India.

Free World nations and World Bank are making most thorough reappraisal ever of what economic aid is accomplishing in India. The consortium, including U. S., nine other nations, pledges over \$1 billion a year to India, not counting easy-term sales of farm goods.

U. S. alone puts up \$400 million this year.

"For the first time, you hear people asking if Indian administrators are really up to running the economy," says one diplomat.

Hard decisions are as much as a year off. That's when India's next five-year plan starts—April 1, 1966. Early estimates peg the nation's foreign currency needs at about \$6.7 billion for the period.

High-powered World Bank mission returns from India late this month with facts which will help aiding nations chart policies.

## **LABOR**

Railroads' campaign against state featherbedding laws progresses in state capitals.

Twelve states still have so-called full-crew laws which specify number of crewmen certain trains must carry. Seven other states give regulatory agencies power to impose similar rules. Full-crew states straddle key rail routes; include New York, Ohio, Indiana, Wisconsin, Washington and Oregon.

Legislators may take action in Ohio, New York, Oregon, Washington. Court cases attacking laws await decision in other spots.

Firemen's union offers main opposition. Most laws were passed before 1920, fail to take account of technological advances which cut need for men on trains.

More than 13,770 jobs costing carriers an extra \$117 million a year are involved. That's enough money to run more than 700 freight trains a year round trip between Los Angeles and New York.

Sample cost-booster: In one part of Arkansas—which has a featherbedding law—an extra brakeman rides each Missouri Pacific freight train to the state line, hops off there, gets a day's pay and sometimes a ride back by limousine.

## **MARKETING**

Postal ZIP code deadlines are coming faster than expected.

The first arrives this July 1. Post Office estimates it will affect only a few hundred mailers of second and third-class mail. Better check to see if you're one of them.

If you are, you'll have to pre-sort some bundles of mail by the nation's 566 sectional postal centers where they're headed.

Failure to comply means paying single-piece rates for second and third-class mail instead of lower bulk rates.

Full ZIP-coding and pre-sorting of second and third-class mail comes

January 1, 1967. It'll hit some 275,000 companies. Next step: ZIP code requirements for first-class mail, if Congress agrees.

## **NATURAL RESOURCES**

Industry researchers are building new muscles for old materials.

For concrete, engineers at University of California have developed expansive cement. Added to standard portland cement it can prevent cracks in drying concrete. It also makes self-stressed structural elements far stronger than present concrete, say the scientists.

For steel, two new processes have been developed and others are under study for making super-strong steel in bulk. Ford Motor Co. laboratory works on one process, International Nickel Co., another. Steel company researchers investigate still others.

"It is calculated," says Roger M. Blough, United States Steel Corp. chairman, "that with today's steels, the Empire State Building could have been 13 stories taller without increasing the weight of the steel used in the present structure."

Scientists foresee further gains. Today's ordinary structural steel has strength less than one tenth the theoretical strength of iron, researchers note.

## **TAXATION**

Owners of small businesses can expect closer attention this year from Uncle Sam's tax agents—both as helpers and policemen.

Internal Revenue Service auditors are shifting emphasis from inspection of lower-income individuals to small business and individuals with incomes over \$10,000 a year. Corporations, other larger firms, high-income individuals will get same close attention as ever.

Audits of 3.6 million tax returns last fiscal year uncovered \$2.5 billion in extra tax and penalty payments for government. But helpful tax men also refunded \$143 million that

audited taxpayers didn't know they had coming, IRS aides brag. Corporations who shortchanged themselves on their returns received \$56.7 million of this.

If you don't already have them, here are three basic guides IRS offers to help you compute taxes by April 15 deadline: "Tax Guide for Small Business" and "Your Federal Income Tax" for individuals, both 50 cents, and "Farmer's Tax Guide," free. IRS finds many taxpayers don't know about these aids. You can get them from Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402 or IRS offices around country.

## **TRANSPORTATION**

Carriers seek to cut costs, improve service with new ticketing and billing systems.

Truckers are working on a new, uniform billing method designed to eliminate paper work, cut down on customer-enraging mistakes caused by need to make copies of details at different points. Shipper would receive back as freight bill virtually same piece of paper he filled out when dispatching goods.

On rails, Illinois Central Railroad begins installing first automatic fare-collecting system. It's due to start operating in late 1965.

The Chicago area line will issue passengers a magnetic-coated ticket from vending machines. Other machines will read tickets and let holder through gates. Another will punch commuter tickets.

U. S. airlines will cover country this year with a central ticket paying plan for travel agents. Now agents report and send checks periodically to each airline on which they sold a ticket. New system will let them send just one report and payment to a single area bank which will divvy up the money among the lines involved.

The plan has begun in 13 midwest states, spreads to Dallas region next month, rest of U. S. and Canada by October 1.

## POLITICS

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tem grow and prosper. The best way to do this, in my view, is to become more active in public affairs in our home communities, our states and our nation. Specifically, businessmen can fulfill their public responsibilities in three ways:

- By establishing and maintaining closer contact with government officials.
- By encouraging associates at all levels to take a more active role in practical politics.
- By speaking out—as individuals—on the major public issues of the day.

Many businessmen are reluctant to undertake such a program. They question the propriety or even the legality of businessmen's involvement in politics. A few harbor misgivings or grave misunderstandings about the nature of politics and public servants. This is most unfortunate. For when businessmen and government officials sit down together, they generally find a mutuality of interests—and a mutuality of respect.

Neil H. McElroy, who as chairman of Procter and Gamble and former Secretary of Defense has an unusually good view of the situation, sums up his impressions this way:

"From my own experience in government, I know that the vast majority of the men and women there are conscientious public servants. Few really want to be unreasonable. Most are not doctrinaire. Most are receptive to facts properly presented to them, and most are readily approachable. We in business need, more than anything else, to learn to communicate better with them, and to take the time and make the effort to do it."

Business executives often discover that their counterparts in government are much like businessmen themselves: dedicated, concerned, overworked. Government officials have so many complicated matters to keep up with that they have a difficult time staying abreast of them all. Practical politicians welcome expert counsel in complex matters. They are usually happy to get the advice of businessmen, but they don't get it often enough.

At Chase Manhattan, we have a regular program for becoming better acquainted with our government officials. We invite them to the bank, individually and in groups, for

luncheon and a discussion of current issues. Last year, well over 100 legislators and other government officials were our guests at luncheons hosted by our senior officers. Among our visitors were congressmen, key members of both houses of the New York state legislature and high administrative officials in various branches of government.

### Contacts pay off

From our point of view, these meetings proved beneficial in terms of continuing relationships. For example, we are now on the legislators' special mailing lists for information on bills they introduce and for bills referred to their committees. Often we learn in this way of significant legislative developments before the information comes through other channels.

Many of our guests have subsequently told us that the meetings also opened useful channels of information for them as well. Almost to a man, they said that one of the most distressing aspects of public service is the apathy toward pending legislation that they find among some business leaders. Some in positions of leadership in the business community, they said, usually wait until a particular bill has gone through the legislative mill almost to final enactment, then come around to complain about what's wrong with it.

Our luncheon talks have ranged over a broad spectrum. Frequently we have been able to provide the legislators with facts that they had not had before and that served to correct misconceptions about the need for or the impact of some proposed legislation. The legislators have often told us the meetings were invaluable in providing fresh perspective on current issues generally.

Our guests also seemed impressed when they learned the extent to which our own staff members have been active in political affairs. To borrow from our slogan, the legislators found that they do, indeed, have friends at Chase Manhattan.

In election year 1964, more than 1,000 Chase Manhattan people performed meaningful work for their chosen parties. They served on their own time and in their own neighborhoods as political fundraisers, canvassers, office workers and stump speakers. Some of them became candidates themselves—a practice we encourage by paying full salaries to employees who are elected to public office, and granting leaves to those who are elected or

appointed to full-time posts. About 125 of our current staff members hold elective office as mayors, village trustees, town councilmen and the like.

We realize that many companies, believing that business and politics do not mix, are reluctant to encourage employees to become more active politically. Our own position, however, is that if more business people would enter politics, the nation would gain both a better understanding of business and a broader political base so that our representatives would be free to vote for the good of the country and not be beholden to pressure groups.

We are inclined to agree with Henry Ford II, who says:

"If it is reasonable to anticipate a wider range of government economic policies, as now appears to be the case, then let us try to have all the men of understanding, competence and responsibility we can in positions of influence in public life, in the legislatures, in government—on both sides of the aisle."

Many individuals have been motivated to political action by corporate public affairs programs, the purpose of which is twofold: to make all members of the organization more keenly conscious of their responsibilities as informed and effective citizens, and to stimulate them to become politically active.

More than 500 U. S. companies have instituted such public affairs programs, and many of them have full-time directors. In recent years, well over half a million officers and employees have participated in training courses in politics, notably including the course prepared by the Chamber of Commerce of the United States.

Among the companies now sponsoring active public affairs programs are Boeing, Monsanto, Western Electric, Ford, American Cyanamid, Kimberly-Clark, Humble Oil and U. S. Steel.

### Effects multiply

As part of our own program last year, we prepared a 15-minute film, narrated by Chet Huntley, which pointed up the growing need for more citizens to contribute to political parties. Called "To The Party of Your Choice," the film was shown to some four million Americans—through 250 theaters in greater New York, through 100 television stations across the country and through 350 industrial companies that held screenings for employees.

Our own staff saw it, of course,



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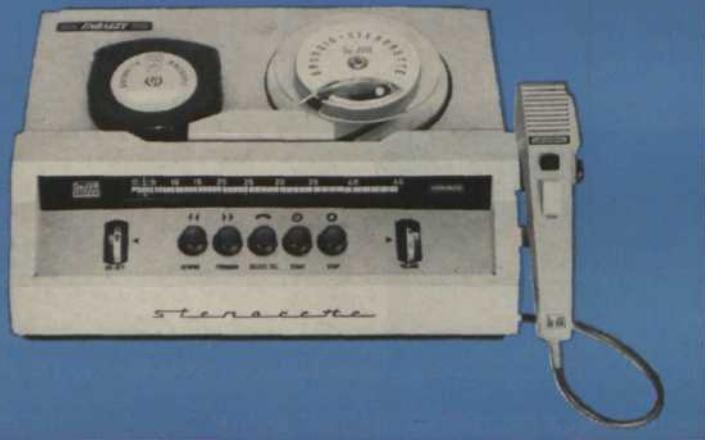
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## POLITICS

*continued*

and it undoubtedly helped the bank's political fund-raising drive. We provided staff members with envelopes in which each could make his contribution to the party of his choice with privacy. Though we did not know what any individual contributed, the political parties later reported that they had received well over 1,000 contributions from Chase Manhattan people.

We also issue bimonthly public affairs bulletins, setting out basic facts and background information on key issues. Very often these bulletins are reprinted in the journals of other companies and in the news and editorial columns of the daily press, thus exerting a multiplier effect on behalf of informed citizenship and good government.

Though large companies usually have the most ambitious public affairs programs, business firms of all sizes can do much to stimulate political awareness and participation. Any company can generate a remarkable amount of activity simply by issuing a statement of policy regarding staff participation in public affairs.

Too many members of corporate organizations are afraid to involve themselves personally in partisan or controversial matters. The corporation must seek to convince them that they will risk no status or seniority by becoming advocates of a cause or a candidate—and, conversely, that those who decline to participate will suffer no stigma.

Our own statement of policy makes clear from the first sentence where we stand:

"It is the policy of the bank to encourage all members of its staff to participate actively in community, civic and political affairs." The statement goes on to declare that: 1, the bank's policy is nonpartisan; 2, the political views of any staff member are his personal responsibility and in no way represent those of the bank; 3, the political party in which he becomes active is entirely a matter of his own choice.

I am proud to report that many of our employees have been very vocal in supporting candidates and expressing political opinions that happen to differ from my own. But as a wise man once remarked: "If two people see eye to eye on everything, one of them is superfluous."

Like many another Chase Manhattan officer, I often speak up on

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## POLITICS

continued

controversial matters. In public speeches recently, I have taken the opportunity to address myself—as an individual—to such topics as taxes, fiscal policy, foreign aid and East-West trade. A growing number of businessmen are speaking out similarly on public issues, but certainly more should be doing so.

Surveys show that when businessmen speak up, the public pays heed. Purdue University's Communications Research Center recently asked a representative cross section of the populace of Pennsylvania to select from a list the kinds of people whose statements on political and governmental issues they would be most likely to trust. The greatest vote of confidence went to business leaders. Family or friends came in second and, surprisingly, elected officials finished no better than third.

Businessmen from companies large and small can speak up through a variety of channels. They can express themselves through their local chambers of commerce, which serve to gather a consensus and communicate it to government policymakers.

If in the past we businessmen had been able to explain more convincingly the links between taxes, profits, tools and jobs, we could have accomplished much more than we have toward fostering the free-opportunity system.

The simplest way for us to inform our lawmakers is to write letters to them. Few of us trouble to do that often enough, and some of us who do could benefit by making our letters more factual and forceful. Naturally, our legislators will devote more attention to our written communiques if they know us personally.

Every business executive should visit his congressman and other important elected officials at least once a year. Visits should also be paid to two other vitally important groups of people: the legislators' administrative assistants, who often draft bills and speeches, and the staff members of legislative committees, who figure prominently in the writing of legislation.

Such visits are simple gestures of courtesy that should be extended to all legislators, not just those with whom the businessman happens to agree. The able legislator, whatever his political persuasion, has an interest in all the business within his constituency. Any issue that affects

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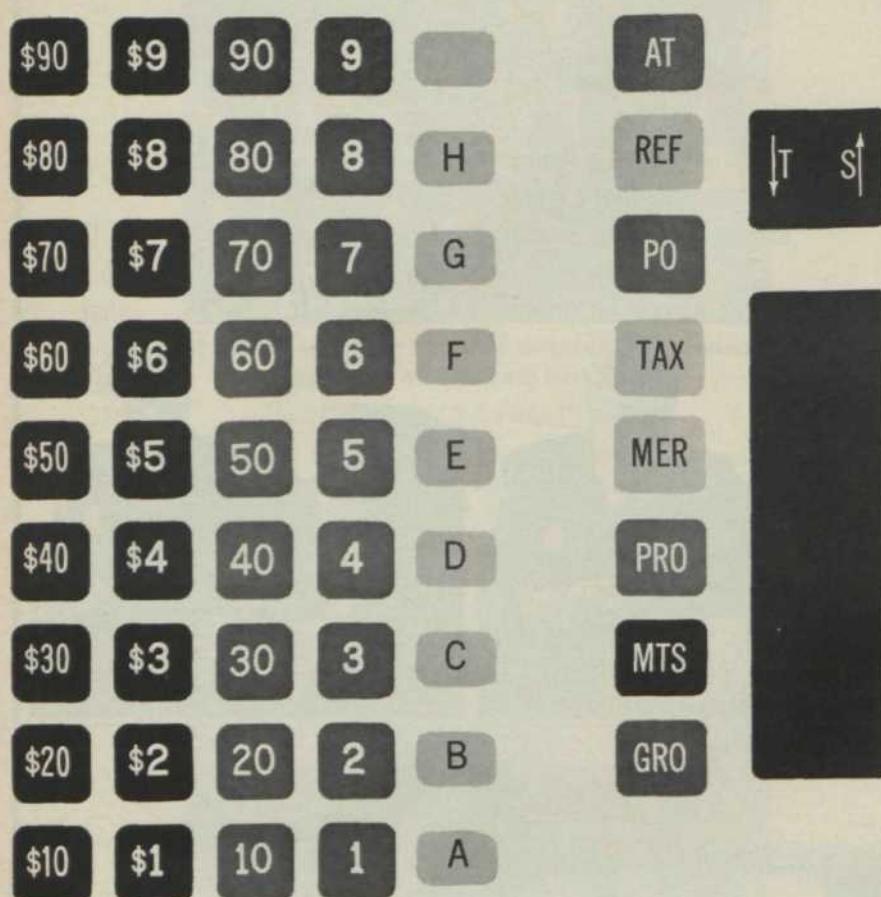
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NB-35

## POLITICS

continued

those businesses is a matter of concern to him. He wants to hear even those points of view that differ from his own, and he may well be willing to change his mind.

A few years ago, Crawford H. Greenewalt, chairman of du Pont, did a classic job of explaining the need for legislation to permit an orderly divestiture of the company's General Motors stock.

Working for many months, Mr. Greenewalt paced corridors, knocked on doors and called personally to expound the facts to virtually every member of the House and Senate committees involved, to key officials in interested government agencies and to leaders of both parties in Congress.

Then, and not until then, was the bill overwhelmingly approved by the House and Senate and signed into law by the late President Kennedy.

What Mr. Greenewalt did, other businessmen can do. As Congressman Edward P. Boland of Massachusetts says: "The greater the interest of businessmen in legislation, the better government we will have. Businessmen who understand a legislative problem, take an interest, then contact their congressman get effective action."

It is now more important than ever for business leaders to establish a clear, candid and continuing interchange of information with government leaders. In this era of sweeping global change—an era in which many nations are beginning to emulate the free economic order—the whole world is looking to the United States to set the example. And the leaders of our government are looking to the business community for its advice.

I believe that there are certain verities which we cannot too often impress upon our government officials. In my opinion, it is up to the United States to set an example to the world in fiscal affairs by living within our means, balancing our budget, and reducing our national debt.

It is up to the United States to set an example in controlling inflation, which has become an almost world-wide malaise.

It is up to our nation to set an example in East-West trade, by trading intelligently in nonstrategic goods, but refraining from granting long-term credits which amount to aid instead of trade.

It is up to us to continue to assist



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## POLITICS

continued

our real friends, but to administer our aid more effectively by creating a multinational organization that would draw support from all affluent nations and underwrite only those projects that add to the growth of the recipients.

Perhaps most important, it is up to our nation to set an example in the moral tone of business and public life by condemning the easy fix, the bought favor, the hidden payoff.

All these issues—and others—are of basic concern to businessmen. We must acknowledge that individual and personal responsibility is the very core of our free-opportunity system—and act accordingly.

Helping to promote a better understanding of our system is not a job for somebody else. It's a job for you and me, and we've got to take it on if we want to keep free enterprise both free and enterprising.

We have to explain that if economic freedom is to be secure, government power must be limited.

We have to explain that only under the freedom-of-opportunity system have men and women achieved those cherished goals of personal independence, freedom to choose their life work and to do something about it when they don't like governmental programs or policies.

In short, we have to stop apologizing for our system and start doing something about it. One of the best ways is to take up, actively and resourcefully, our responsibilities in the field of public affairs. It makes for good sense, good business and—above all—good citizenship. END

**REPRINTS** of "Why Politics is for You" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Please enclose remittance.

## FORCED UNIONISM

continued from page 33

other activities at the union's direction.

Every union that amounts to anything, I'm sure, has in its constitution and by-laws the power to penalize a member for conduct detrimental to the best interest of the union, which can be anything.

**Mr. Petro, what effect would the repeal of 14(b) have on the use of union dues for political purposes?**

In a country which prides itself on being a free political democracy it's peculiarly shocking to think that we're going to compel people to contribute to political causes to which they may be opposed. There's no doubt that if we repeal 14(b) we're going to have to provide a way for employees to "opt out," as the British do. British law gives employees the right to refuse to have their dues used for political purposes.

**Doesn't the Taft-Hartley law say that union dues shall not be used for political purposes?**

It says it, but I doubt that anyone informed in this field thinks that this prohibition has been effective. It was doomed to ineffectiveness from the very beginning because in a political democracy of our kind it's vital that all organizations be free to engage in political activities.

**Would repeal of 14(b) increase the use of union dues money for political uses?**

That's quite predictable. There are too many ways in which unions engage in political conduct that the law and law enforcement just can't touch.

If we want to preserve political freedom, we should not prohibit political expenditures by unions, but we should prevent unions from imposing membership on people who do not want to become members. The way to do that is to reinforce rather than repeal Section 14(b) by passing a national right-to-work law so that no worker may be forced into a union in any state.

In other words, rather than repeal 14(b), we should repeal the prohibition on political contributions and expenditures and prohibit compulsory unionism.

If we do these things we preserve the liberties of all involved.

We preserve the right of unions as voluntary associations to participate in political action.

We also preserve the right of employees to join or not to join unions, and we free employees of the repugnant obligation to contribute to political causes, political parties and political candidates to whom they are very often quite vigorously opposed. END

**PLUS—A DISTINCTIVELY STYLED NEW LINE OF QUALITY BURROUGHS ADDING MACHINES!**



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**Burroughs Corporation**



# Executives abroad:

These businessmen point up the glamour and the grind for decision-makers living, working in foreign lands

IF YOU ARE Sam Gartland from Chicago, you're supervising construction these days of a new factory for Thor Power Tools Co. in Turin, Italy's Detroit. As managing director of Thor's Italian subsidiary, you also direct a staff and work force of 175 Italians and one Irishman making and selling pneumatic tools in the present plant on the Via Sossata.

You're planning a selling trip to Scandinavia and Germany later this month. And you're boning up on markets in Brazil and Argentina because the boss figures American brand products made in Italy may appeal to Latin Americans of Italian extraction.

You get to work at 7:30 a.m. and leave at 7 p.m. for your villa (shared with the landlord) where the light switches buzz to remind you not to waste electricity. Your family tries to maintain an American standard of living and finds it expensive. Your wife has no servants. You send your teen-age daughter to school in Lugano, Switzerland.

"I feel I'm losing money here in comparison to what I'd be able to save in a similar position in the States because of the cost here," you tell a caller. But the job challenges you with opportunities to make the full range of managerial decisions.

In short, you're one of the new generation of American businessmen who live, manage and sell abroad.

Your name could just as well be F. J. (Tim) Dunleavy, president of ITT Europe, Inc., presiding over a continent-wide planning session in Brussels. Or Ted Koton, merchandising chief for Arrow shirts in Europe and Africa, who lives in Zug, Switzerland, and roams in search of sales from Stockholm to Cape-town.

You could be Chase Manhattan Bank's David Sheehan, a young bachelor now getting settled in his apartment on Soi Lang Suan under Bangkok's palms. Or Harry Girdler, chilled by Iceland's winter dampness, as you arise at 3 a.m. to greet the weekly New York plane of your employer, Pan American World Airways.

The ability of these and thousands of other men to build sales and production of American firms around the world is vital in many ways to the continued



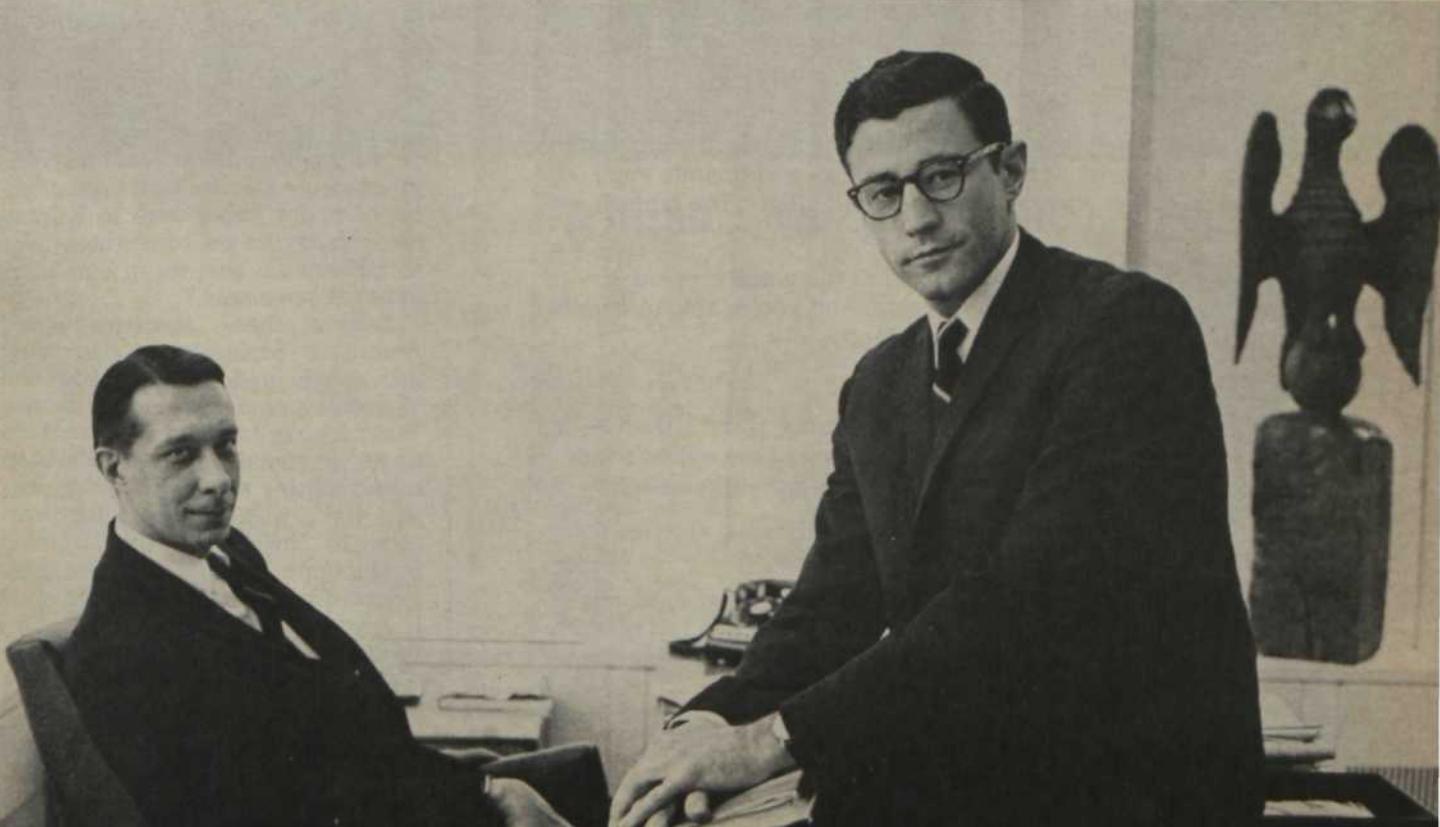
# The American way overseas

PUBLIFOTO: BLACK STAR

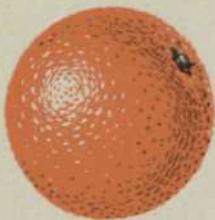


*The workaday worlds of four men pictured here dramatize the decisiveness, adaptability and scope of managers abroad. F. J. Dunleavy, ITT's chief in Europe, must range from the Grand Place in Brussels (left) to Latin America in his business thinking. Samuel Gartland, Thor Power Tools (right) says nearly all problems arising in Italy must be settled by him. Banker David Sheehan of Chase Manhattan (bottom, right) shifts from Parisian to Thai life with aid of colleague D. B. Mahler.*

VYTAIS VALAITIS



# There are 1001 good reasons for buying a custom-built truck like Kenworth.



## This is just one of them.

If you haul oranges in California, it doesn't make much sense for you to use the same truck that someone else would use to haul timber in Maine. Or oil in Texas.

Oranges, logs and oil just aren't that much alike. Neither are the roads you operate over, the weight and length requirements or the climates.

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The result is a truck with every part fitted to do the job you want it to do. That's why Kenworths last longer and operate more efficiently. And why resale values are higher. (The highest in the industry.)

Kenworths know what's expected of them and they do it. So you save on maintenance costs. And you're able to handle more freight. Faster. More consistently.

That means more profit.

Worth talking to your Kenworth distributor about? Then do it soon. Find out for yourself why so many of the nation's top trucking firms agree that there's more worth in Kenworth.

*There's more worth in*

**KENWORTH**

Home Office: Seattle, Washington 98124



## OVERSEAS

*continued*

growth of the U. S. economy here at home.

### **How foreign sales help us**

Sales of American-made products to foreign customers bring in cash which helps provide payrolls for thousands of American workers. What's more, U. S. companies producing abroad both generate demand for more job-boosting exports and send profits back home. Together these receipts from abroad by business enable the U. S. to buy needed industrial goods as well as consumer items and luxuries from other nations. And they provide the foreign exchange used in the government's foreign aid and defense programs.

Only the receipts from abroad prevent today's drain of gold from the Treasury's vaults from becoming a flood. If gold continues to flow out of the country, the government in Washington almost certainly will take additional action which could cause a tightening of business conditions.

As Lynn A. Townsend, president of Chrysler Corp., puts it:

"In the five years, 1959 through 1963, the income returning to this country from all types of U. S. private investments in other countries was 93 per cent of the amount invested abroad in those years. And as the world economy grows in strength, the size of this return flow will increase. Moreover, the foreign affiliates of U. S. companies provide an excellent market for the goods we produce in this country. In 1963, those affiliates bought about \$5 billion worth of U. S. goods, or nearly a fourth of all our exports."

"In other words, private business investments abroad have been a factor of major importance in helping our country to get somewhere near to achieving a balance in our international payments."

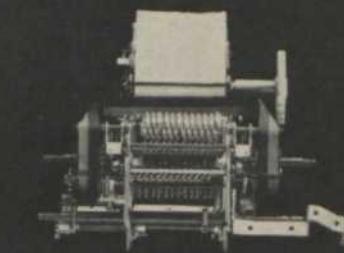
Behind these statistics stand American businessmen perspiring in a copper mine's office at the end of a dusty road in Tsumeb, South-West Africa; huddled in discussion under a chandelier in a Parisian salon; waiting at foggy London Airport for a flight to see sales prospects in Zurich and Milan; giving instructions in Portuguese to management trainees in São Paulo.

### **Agents of free enterprise**

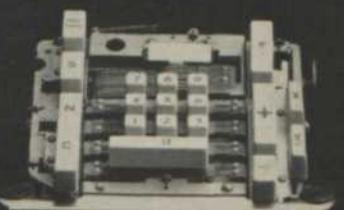
Few of them are heroic figures but many know the countries where



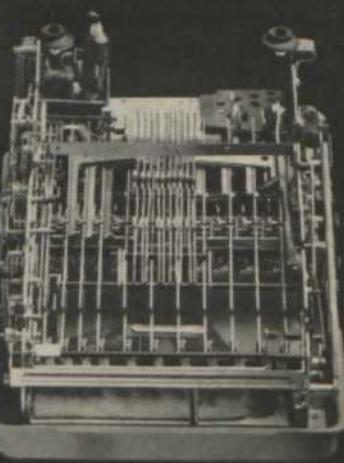
Take one of these.



And one of these.



And one of these.



And one of these.

**Brilliant! You just made a Model 4.**



Isn't that neat?

Remington Model 4 Adding Machines are constructed in 4 simple units: 1) printing unit, 2) keyboard, 3) base unit, 4) skin. Each one neatly independent.

They come apart (or together) at the flick of a screwdriver and pliers. (About as easy as taking apart a flashlight.)

Put 'em all together and they add up with savage accuracy. They also subtract, multiply and even divide.

And if ever a machine should happen to get jittery (that could happen to the best of us), your service man gets in and out so fast you'll hardly notice him. Cuts down on down-time. Keeps things moving.

These 4 reasons are reason enough to

buy the Model 4. They make your machine a long-term investment.

There are many other reasons.

The cam shaft, for example: Rotates a full 360°. Cuts down the slamming, jamming, wear and tear you'd ordinarily get in conventional electrics.

And the outer skin. Super-tough Cycloac.\* Virtually impervious to scratches, stains and dents.

But the Model 4 can be taken apart so simply, we advise customers who like tinkering to resist temptation.

**Remington** OFFICE MACHINES  
DIVISION OF SPERRY RAND CORPORATION

\*TRADEMARK OF BORG-WARNER

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## Free updated fact book gives vital data on plant-site location

Scores of industrialists have found exactly the facts they need about plant sites and markets in this 44-page book. In what U.S. area is population density growing fastest? Where is the best market for industrial products and consumer goods? Where is America's largest supply of skilled workers? What manufacturing location is best for serving American, Canadian and overseas markets?

The book analyzes and compares various markets. And it reveals the identity of "The World's Richest Market"—the 45,000,000-population area that surrounds the part of industrial Upstate New York served by Niagara Mohawk, one of the world's largest electric and gas utilities.

This fact book, compiled by *independent* sources, gives detailed projections to 1975 of growth in population and income, and of the manufacturing needs of industrial categories, for all sections of the U.S.A. You will read why "The World's Richest Market," with greater population density and personal income, offers more profit per square mile than any other area.

Niagara Mohawk operates a complete department to help you find the best plant site in Upstate New York. It is staffed with experts who can dig out the facts you need on markets, labor, real estate and all the other important considerations in plant location.

If you are a businessman and wish a copy of "The World's Richest Market," write on your letterhead to: Richard F. Torrey, Director of Area Development, Niagara Mohawk Power Corporation, Dept. NB-3, 300 Erie Boulevard West, Syracuse, New York 13202.

**NIAGARA MOHAWK POWER CORPORATION**

## OVERSEAS

*continued*

they live better than fellow Americans in the embassy across town. While their main job is to help their employers earn a profit, their unofficial second one without exception becomes that of carrying the United States and its principles to foreigners.

"The biggest contribution we as businessmen make in developing areas abroad is to show that free enterprise works and how it can help the people and the country prosper," sums up Donald B. Mahler, just returned from a tour of duty with Chase Manhattan branches in Asia.

On a more personal basis, the road to higher corporate rank for more and more executives is winding through Turin and Tokyo, Lima and London. "To get anywhere in the bank nowadays it is necessary to have international experience," says Louis P. Buglioli, Chase Manhattan's assistant vice president for international personnel.

That's a switch from the old days before and shortly after World War II. Then, an overseas post in many a company meant the person involved was being shuttled out of the promotion stream and that, no matter how hard he worked, few people in headquarters really had much interest in how well the foreign operations prospered. Businessmen living overseas still contend this is a disadvantage. But more and more companies try to overcome the problem by rotating executives or bringing them back to home base regularly for consultation.

As just one measure of the added interest in overseas business by U. S. companies, their total direct investment in foreign lands has leaped to more than \$40 billion from \$30 billion as recently as five years ago. This doesn't fully measure the movement abroad of people from businesses with small capital investments such as lawyers, consultants and other professional people.

Exactly how many U. S. businessmen live abroad is somewhat of a mystery. The best count comes to over 32,000 managers, nongovernment officials, proprietors and professional workers as of the last federal census.

Who are the men who make their homes abroad representing their companies? How do they work and live?

One appraisal comes from a businessman who travels extensively abroad on behalf of his company and the government.

"The quality of U. S. businessmen I see abroad is excellent," he told NATION'S BUSINESS. "Companies send over good people. They aren't cartoon characters."

Indeed, the fear of sending abroad a cartoon character to represent them has shaped the thinking of many a company. These are the so-called ugly Americans, an imprecise corruption of the popular novel about U. S. diplomats in Asia several years ago.

As portrayed by critics, these characters have little feel for the people of the nation in which they live, make little attempt to learn the language, look down their noses at local customs and generally attempt to impose American standards on everything with which they come into contact.

Take the ability to speak the local language.

"One executive I know of didn't learn the local language in three years abroad, not even how to say 'good morning,'" says Francis Canny of the New York executive recruiting firm of Canny, Bowen, Howard, Peck & Associates. "He said, 'If they want to do business with me, they have to speak English.'

"For every bad example, however, I could give you four good ones," asserts Mr. Canny. "I've never known a company yet that wanted its officials to cut themselves off from the people they have to deal with."

Adds Harold Graham, a broad-shouldered former jet captain who is now vice president for cargo of Pan American World Airways, "There's no greater compliment to a foreigner than to try to learn his language—even if you don't fully succeed. It makes you part of the community."

Knowledge of language and social conditions is often presented as a tool for keeping an American businessman out of trouble abroad. This makes it less likely that he'll fall into trouble unknowingly.

But it can also give dramatic aid to a businessman.

Ted Koton of Cluett, Peabody & Co., Inc.'s Arrow Co. can provide cases in point. In the course of a day's work he may deal in French, Italian, Spanish, German or some other tongue.

Knowledge of Africa accumulated during some 18 years of working on the continent enables him

# **PRECISION**

Exactness is a key factor in marketing today:

How to predict consumer demand?

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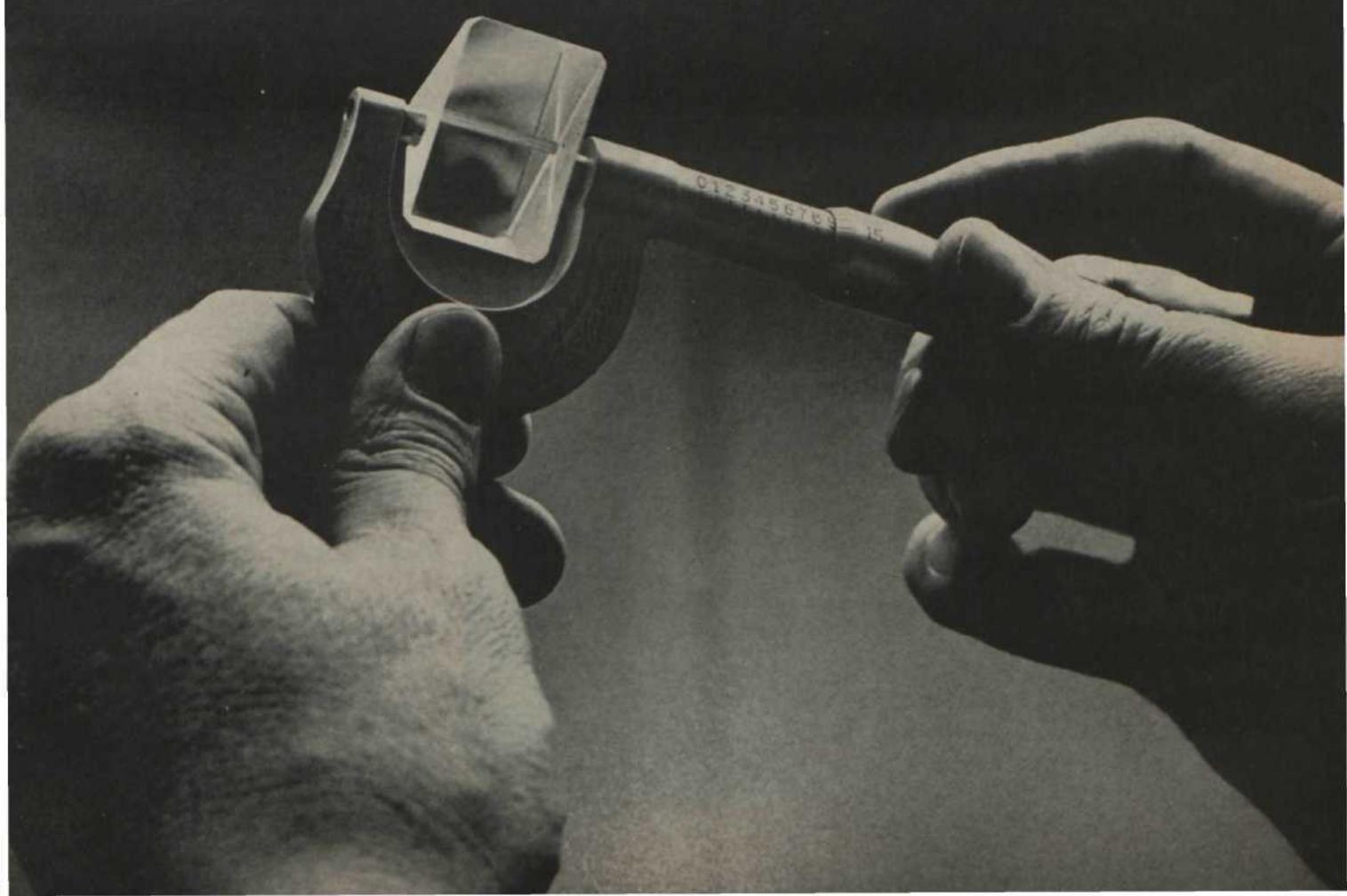
How to reach best prospects and sell them?

Magazine **EFFICIENCY** boosts the accuracy of any marketer's strategies. Magazine **FLEXIBILITY** allows an advertiser to concentrate his messages in specific areas. Magazine **SELECTIVITY** enables him to choose his best customers. Magazine **AUTHORITY** carries over to his advertising...creates a positive selling atmosphere.

If your product or service demands precise marketing tools...magazines are the answer.

Their flexibility...predictability...**SELLING POWER**...are exemplified by these pages.

**MPA MAGAZINES / THE GROWTH MEDIUM OF THE '60s!**



## OVERSEAS

continued

to sell Arrow shirts to newly independent Africans as a status symbol.

One phase of a recent promotion campaign: gifts of shirts to a popular Congolese dancer who, by showing them off, encouraged fathers of African brides to require that prospective sons-in-law give them Arrow shirts as well as the traditional cash, live animal and cloth.

### Other musts for success

Mr. Koton also points out two other requirements of the American businessman operating abroad. He must be ready to travel at least as often as his stateside counterpart; Mr. Koton logs over 100,000 miles of travel a year, company headquarters estimates. A recent look at his schedule showed him supervising production in France of a series of promotion films at Christmas time; bidding goodbye in Zug, Switzerland, in early January to his wife, two daughters and Archibald the dachshund, for a selling trip to Africa which would be followed by a trip through Western Europe. A flight to Scottsdale, Ariz., for a company sales meeting comes this month. Then back to Europe for six weeks of traveling there to be followed by another flying journey to Africa by June.

The second and even more important requirement is the ability to do a very wide range of jobs well.

*Iceland isn't all ice to Pan American's Harry Girdler. It is also the source of travel income which boosts U. S. dollars from abroad.*

TOR EIGELAND-BLACK STAR



"Your man abroad must be personally an unusual man," sums up Hans J. Schwerdtfeger, director of export sales for Arrow. "He must have a well read understanding of many things. He's no specialist. He has to combine salesmanship, diplomacy and patience with administrative ability. He has to have good judgment in order to make decisions in the field."

Chat with Thor's Mr. Gartland, sitting in his apartment on Turin's Strada degli Alberone in the hills of the Po Valley. He emphasizes the need for versatility and judgment in his job.

"It takes time to get decisions from the States, no matter how good the communications," says Mr. Gartland, "so we go ahead ourselves on just about everything except major financial matters. We have to refer them back home."

By "just about everything," Mr. Gartland means "just about everything." Indicating that American executives in other U. S. subsidiaries have similar troubles, Mr. Gartland finds it difficult to get his Italian aides to make final decisions on problems so he has to decide.

These managerial decisions can range from sales to plant construction alternatives, a spread that seems to cover Mr. Gartland's business background. Now 46 years old, he started work before World War II as a machinist apprentice with Illinois Central Railroad in Chicago. He joined Thor in 1950 as a service engineer, moved into sales, became an administrator of a branch, then regional sales man-

ager, and moved to Turin four years ago as managing director of FIAP, as the subsidiary is named. He has been back in the U. S. only once in those four years (though company officials have visited him) by way of evidence that decision-making resides in Turin instead of the home office.

Oceans, of course, are practically no impediment to corporate business in these days of rapid communications and transportation. Mr. Dunleavy travels to New York monthly for staff sessions with Harold Geneen, president of the parent International Telephone & Telegraph Corp., and other officials.

Mr. Geneen also visits Brussels monthly. The Brussels-based Mr. Dunleavy may also fly to Latin America or the Far East for business conferences as well as being on the go regularly among the headquarters of subsidiaries.

He's at his desk most Saturdays.

"Tim lives his regular life," says a company colleague. "I don't know anything especially unusual about it. This is what the company expects its people overseas to do. It doesn't want them to have to do anything artificial."

### Grind as well as glamour

Not only in ITT but in practically all other U. S. companies, the artificial life of executives abroad has ended, if it ever really existed.

"The old China days of three coolies for every businessman have changed," says James D. Farley, a robust vice president of First National City Bank of New York. "The competition is tougher in all countries. Everyone wants to make a buck, too. You have to get up in the morning the same time you do in the U. S. The only difference between working in Buenos Aires and here is the additional responsibility of social life there. You are expected to take part in more community activities as part of your business life."

"You can't duck social engagements. Even your family is exposed to this effort."

"I call it laying my liver on the cocktail table," says one businessman of social obligations.

Often overlooked in the glamour of overseas travel are the mundane problems of daily living in many nations abroad. It's not really a question of survival, although that can be a major factor in parts of Africa, Asia and Latin America where medical and sanitary facilities are only gradually coming up



Look what happened when our smart resale-minded designers and engineers got together.

## '65 CHEVROLET

With all the potentially high resale features this car has, you'd think it was the master creation of some profit-minded fleet man. For instance ...

A profit-minded fleet man would want his fleet to look this good.

He would want wide door openings, three more inches of shoulder room, more foot room, door-to-door carpeting, an extremely functional instrument panel, long-lasting fabrics, foam-cushioned front seats to reduce driver fatigue, and color-keyed front seat belts. Which Chevrolet has.

He would want a tough new perimeter frame, new Full Coil suspension

and wider wheel tread for a more stable ride. Which Chevrolet has.

He would want fully bonded self-adjusting brakes, a Delcotron generator, flush-and-dry rocker panels, a fully aluminized muffler and inner fenders to protect and help prevent rusting of the outer fenders. Which Chevrolet has.

Most of all, he would want a car with Chevrolet's resale record year after year—of being worth more at

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Build a profit-minded Chevrolet fleet today.

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The Federal Home Loan Banks provide a reservoir of credit available to member savings and loan associations for greater liquidity and for mortgage lending. The capital, provided by their member institutions, amounts to more than \$1,000,000,000, and other funds are obtained from the general money markets.

These 12 regional Federal Home Loan Banks operate under the supervision of the Federal Home Loan Bank Board, a three-man bi-partisan Board appointed by the President and confirmed by the Senate. These banks are self-supporting and no taxpayers' funds are involved.

Year after year, these banks provide a dependable source of additional funds for their members—more than \$30,000,000,000 since 1932. In this way, they serve the 36,000,000 people who save and the 9,000,000 families who finance their homes through the Insured Savings and Loan Associations throughout America.



## Savings and Loan Associations

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## OVERSEAS

*continued*

to Twentieth Century standards. Nor is it loneliness and unfamiliar surroundings of faraway places, although these, too, often cause unhappiness among families unprepared or unwilling to adjust to different living conditions.

Rather, there are harassments. Telephones often don't work when you want them to. Doctors often aren't up to American standards. Foreign schools can give a unique and broadening education to youngsters but teen-agers preparing for an American university often have to attend expensive international high schools or be separated from their parents by attending school back in the U. S. Household electrical appliances usually cost much more to buy and run than they do here.

For all of this, life isn't unpleasant for most U. S. businessmen living abroad. Companies usually want them to live comfortably.

"Sure the guy lives a lot better than the local people," says Arrow's Mr. Schwerdtfeger. "But he wants to live as well as he would at home."

"Our philosophy is that we're asking a man to represent us in a market. And for that we will offer him a premium plus a cost-of-living differential so it will be attractive for him to resettle his family in this new area. Depending on the area, it may be essential that we provide housing or facilities so he doesn't endanger his health or children's education. Certain conditions may require prestige items such as a car, an entertainment allowance or club privileges."

Larger companies usually have an elaborate formula for compensating employees for higher costs of living or other disadvantages. First National City Bank, for instance, provides a 15 per cent "cultural factor" addition to salaries for employees stationed in Monrovia, Liberia, because of its out-of-the-way location. "If there's nothing to do at night, they can sit home and count their money," quips one bank official.

### Money isn't everything

Attempting to take some myths out of living abroad, the Council of American Chambers of Commerce in Europe emphasizes some of Americans' problems.

"It is certainly true," says the American Chamber of Commerce in France, "that from the point of view of the American businessman

abroad himself, life in Europe offers a type of satisfaction not usually attained at home. But this is not notably a financial satisfaction—rather he is enticed by the challenges of an entirely new market environment and the opportunities for an enterprising mind confronted with an entirely different complex of economic problems.

"In the world of financial reality, the American businessman stationed abroad soon realizes that the romance of old-world culture cloaks the practical problems of coping with old-world-style conveniences.

. . . Hardships may be classified into three general categories: 1, difficulties in maintaining a standard of living comparable to U. S. levels, while trying to maintain simultaneously a cost of living not totally out of proportion to U. S. levels; 2, difficulties in maintaining a satisfactory career position, with normal opportunities for advancement and development of managerial capacities; 3, difficulties in the attainment of personal financial rewards, as in the initiation and development of personal business ventures."

For a feel of some aspects of life abroad, take a quick look at two representative Americans a hemisphere apart: David Sheehan of Chase Manhattan in Thailand and Harry Girdler of Pan American in Iceland.

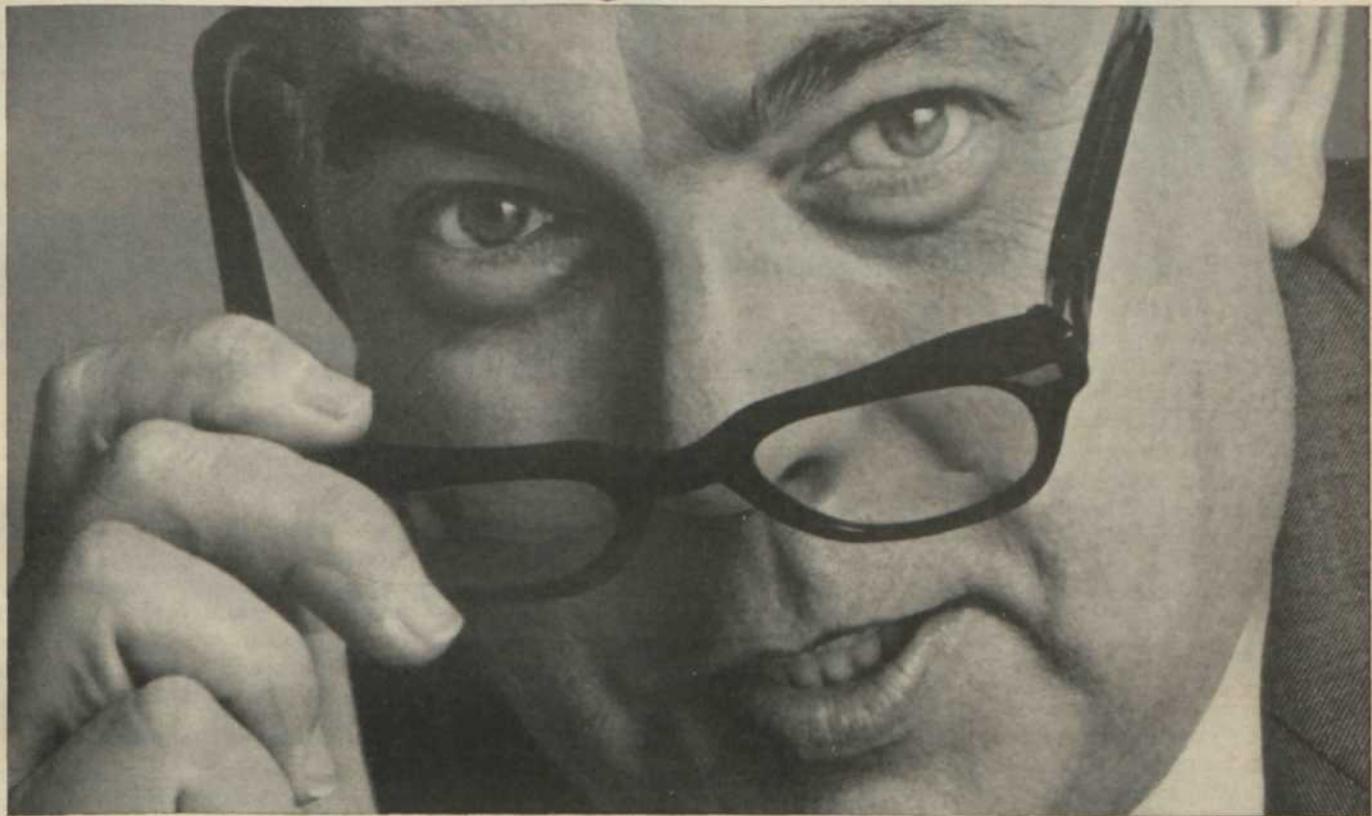
Mr. Sheehan, newly transferred from Paris, is second in command of his bank's Bangkok branch. He is moving into a pleasant apartment in a five-year-old building owned by Thailand's ambassador to the Soviet Union. Living space seems adequate for a bachelor—three bedrooms, two baths, living room, dining room and veranda.

His predecessor, Donald B. Mahler, and his wife employed a cook and an amah—an all-purpose maid, housekeeper and general helper in the Orient—to run the house. "It's impossible to exist without a maid," says Mr. Mahler. "There are no electrical appliances to help with the housework and shopping can be a problem." Both Mr. Sheehan and his chief in Bangkok have cars and drivers.

If Mr. Sheehan is like most Americans living abroad, he will start making friends right away. "People move around faster out there than in the U. S.," points out Mr. Mahler. "Chances are, one or the other of you will move somewhere else within three years. You go looking for friends."

As assistant manager, Mr. Sheehan will have authority to make

# "It's there in hours...and costs you less..."



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For information on service, rates and routes, call Greyhound or write today: Greyhound Package Express, Dept. 1-C, 140 S. Dearborn St., Chicago 3, Ill.

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BOSTON					
SAN FRANCISCO	39	1 Hr. 40 Min	1.15	1.35	1.50
SACRAMENTO					
NEW ORLEANS	14	3 Hrs. 50 Min	1.85	2.10	2.45
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DALLAS	10	7 Hrs. 15 Min	1.90	2.15	2.45
SAN ANTONIO					

\*Other low rates up to 100 lbs.

One of a series of messages depicting another growing service of The Greyhound Corporation.



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### **DATA PROCESSING SYSTEMS**

SCM TYPETRONIC® 7816™ DATA COMPUTING SYSTEM  
SCM TYPETRONIC® 2816™ AUTOMATED TYPING SYSTEM



THE KEY TO SMALL BUSINESS AUTOMATION

## **OVERSEAS**

*continued*

loans up to a certain level. The bank's manager has wider authority without having to seek New York's approval.

The bank does much of its business financing the Thai rice crop. So Mr. Sheehan will have to learn fast the intricacies of this Oriental trading pattern. He'll also help report on Thai economic and political doings to New York and serve American and other companies that are clients of Chase Manhattan. "We have real local competition," says Mr. Mahler. "You have to keep on your toes. In Thailand, nobody borrows money for less than 10 per cent. If Chase Manhattan can turn it over for a customer in three days instead of seven, we get the business."

At the other end of the world are Mr. Girdler, PAA's director for Iceland, his ex-stewardess wife Nancy and five-year-old daughter Susan. They live in a house rented for them by Pan American in Keflavik, next door to the U. S. Navy's Iceland headquarters. The base's air field also serves as the international airport for civilian travel.

Their house is somewhat special: It has one of the few fireplaces around because Iceland has few trees to provide wood. But when the family moved in last April, Mr. Girdler had to install a new hot water system for the house.

Like a surprisingly large number of businessmen abroad, Mr. Girdler caters largely to U. S. troops. His main task is selling air tickets to the U. S. and back to servicemen on leave and their dependents. Much of the family's life, therefore, revolves around the base. He has officers' club privileges, often conducts business lunches there and uses the club for occasional entertaining in the evening.

But his work extends into the life of the nation, too. Mr. Girdler oversees the sales activities of an Icelandic trading firm which is the airline's general sales agent in the country. This means he has to keep an eye on some \$240,000 in sales annually, counting both civilian and military passengers. It also makes him somewhat of a booster of Iceland to other Americans, thus pleasing Icelanders who might be customers of his company some day.

### **It's what and whom you know**

"To really know your way around in a country—learn the laws, learn

whom to see—takes six months to a year," emphasizes Mr. Girdler. "It takes the company a terrific amount of money to train a man." Thus, like various other firms, PAA moves its men only infrequently. Iceland is considered a hardship post, so Mr. Girdler has the option to leave after three years. But Pan Am assigns men to other posts for an indefinite stay.

Mr. Gartland for Thor and Mr. Dunleavy for ITT operate under much the same tenure arrangements.

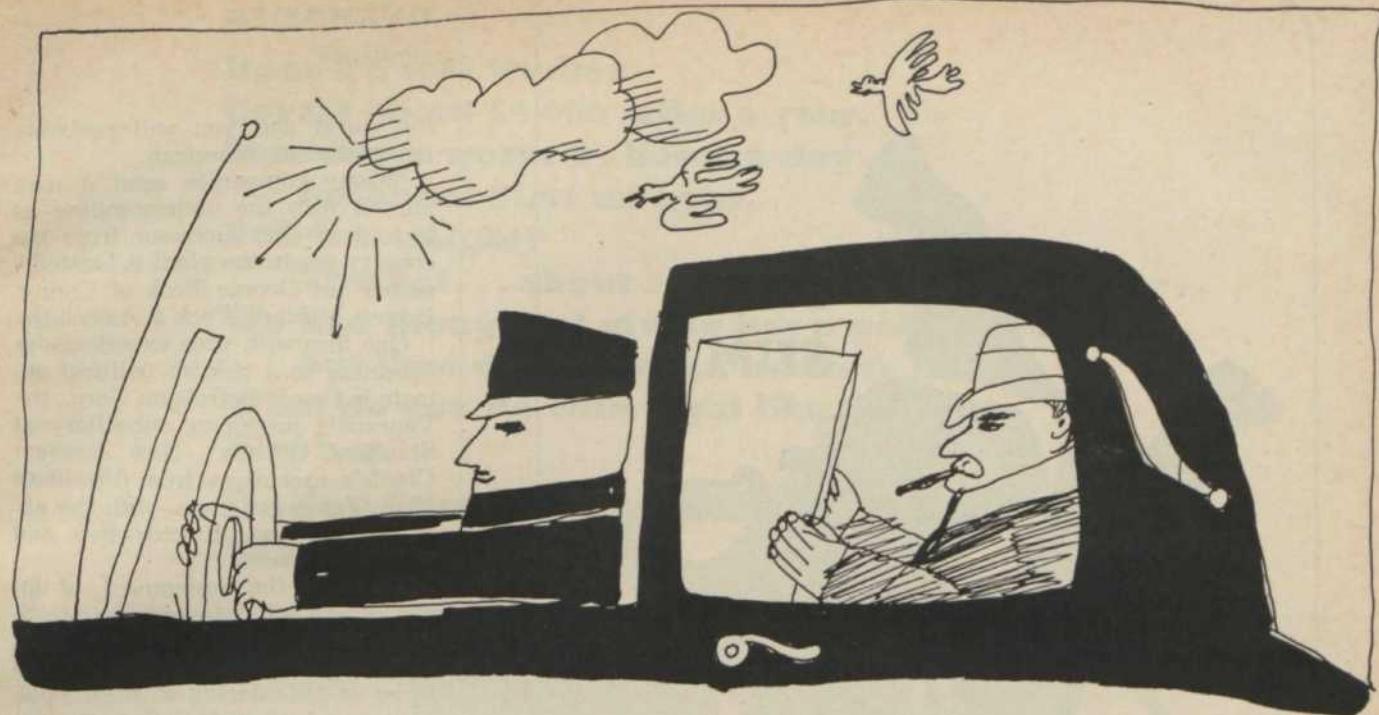
Unlike their American-based counterparts, U. S. businessmen abroad get caught up much more in what might be called diplomacy and relations with governments. To a foreigner, an American businessman is expected to explain and defend nearly everything the U. S. government does. Beyond that, however, the American businessman is considered the pipeline of information about business and political conditions in the most powerful nation on earth by many of his acquaintances in local governments.

"When you see the head of the central bank where you are located," says one banker in describing relationships with governments, "he's talking to you first as though you are a local banker. But he's also seeking knowledge on how to finance his country. He wants information on whether the New York market is right for him to swing a loan for his government."

### **That indigenous image**

Most American companies operating abroad today try to work into managerial positions more nationals of the host country. The policy makes sense for several reasons. Locally born aides can help the company avoid labor and other policy decisions that might go against common usage; they enable the company to use its experienced Americans on other complicated projects, and, quite bluntly, the companies want local managers in order to make the company appear to be a domestic firm.

Ford Motor Co.'s American officials at the company's sprawling plant along the Rhine at Cologne, Germany, for example, have had a long-standing policy of keeping their names out of newspapers. General Motors' Opel subsidiary in the same country makes a big thing of Opel's origins as German-born and bred. Visit headquarters of such companies as National Cash Register Co. and International Business Machines Corp. around



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That's usually the way it is trying to describe a Chamber of Commerce. Each person has certain impressions of individual Chamber activities, but the diversity and wide range of Chamber programs often make it difficult to get a truly complete picture.

April 4-10 has been designated National Chamber of Commerce Week to give Americans a better understanding of the role played by their Chambers—the history of the Chamber of Commerce movement, the motivating forces behind it, the recent accomplishments, the plans and programs underway for a prosperous tomorrow.

Take advantage of this opportunity to know more about your Chamber, its work and its people. You'll find it a rewarding experience.



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## OVERSEAS

*continued*

the world and you will probably never see an American.

"Many companies send a man abroad with the understanding he is to train his successor from the country where the plant is located," points out George Peck of Canny, Bowen, Howard, Peck & Associates.

One firm with wide experience in operating in a ticklish political climate is Creole Petroleum Corp., the Venezuela producing subsidiary of Standard Oil Co. (New Jersey). Creole's executives from President H. A. Jarvis on down—with the exception of one director—live and work in Caracas.

"Part of the assignment of all our Americans is to train nationals to take over their jobs," says D. E. Stines, a Creole director. "We try to be as self-effacing as possible so it doesn't look as though we're trying to dominate the country. You try to show that you recognize you are an intruder in somebody else's country."

Even with such efforts, American firms quite evidently still have some hurdles to cross. Many of these problems stem from trying—or being suspected of trying—to apply American management methods indiscreetly.

Criticism runs like this example voiced recently in the influential and worldly wise newspaper, Frankfurter *Allgemeine Zeitung* of West Germany:

"Most of the difficulties [of American firms with personnel problems among German employees] can almost always be avoided if the historically proved rules of company management in the country concerned are observed. Before anything else the principle that the first man must by all means be an American must be abandoned. That principle has all the more fatal effect if tied up with the institution of the 'second-in-command' being recruited from the German personnel."

"This second man—he frequently is the third or sixth or even tenth—is supposed to serve as a spokesman, but owing to lack of authority he cannot command discipline. In addition to this a good man will in the long run not be content to remain in a position on a secondary level."

"All this does not mean, however, that the first man must never be an American. The decisive criterion for this man is in every case his

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*Ted Koton uses Congolese dances and French-made films to sell shirts from Arctic to Africa; his travels top 100,000 miles a year.*

ability in acting as a 'German' boss. The proof of these propositions is furnished by many American companies that have been successful in the European market, that have altered their principles and that also credit a 'foreigner' with leadership qualities. It also must not be denied that subsidiaries of American companies in Europe have given valuable impulses to all fields of company management."

It's one thing to meet this criticism by hiring top-grade executives in a developed nation such as Germany, Japan or Britain. But it's quite another to recruit these men in underdeveloped nations where skills are scarce. In some instances, hard-pressed American executives wind up hiring whatever local applicant can speak English best, regardless of his conspicuous lack of any other qualifications.

#### **Recruitment and replacement**

"Recruiting a local staff is getting more and more complicated as Argentine business is getting more sophisticated and competitive," says First National City Bank's James Farley, as he unpacks at home after 14 years with the bank's branch in Buenos Aires. "I spent considerable time going out to local universities and prep schools and trying to talk graduates into joining the bank. I feel that obtaining a top local staff is the key to our future abroad."

By such recruiting, American

businessmen abroad help to spur the economy of the nation in which they live by improving the skills of the work force. Through a long-range policy of upgrading local workers, American employees of Creole Petroleum are gradually reducing their own ranks in Venezuela. The company employs under 600 North Americans in Venezuela today, down from some 1,300 in 1958.

Yet for all the emphasis on foreign employees, many American managers abroad and in company headquarters here find they must rely on Americans to do certain jobs.

International Telephone & Telegraph relies on American executives abroad only when it has to. But when it has to have an American, no one else will do, officials say. In Europe, ITT's many operating subsidiaries act like domestic corporations. Foreigners run all day-to-day operations and fill virtually every managerial slot.

But, Tim Dunleavy, a golf-loving American, bosses the network of European, Middle Eastern and African subsidiaries employing 127,000 persons, from Brussels.

#### **Importance of being American**

The thinking in ITT's headquarters on New York's Park Avenue goes like this:

Americans have no ax to grind when it comes to national loyalties among European subsidiaries. We

like to promote from within the corporation. But it might be difficult for a German subsidiary to accept an Italian as top man in Brussels. Or a Frenchman at the top might be accused of favoring a French subsidiary. An American is accepted as an outsider who has direct access to top management in New York.

Furthermore, Americans are known to have pioneered advanced management methods and are listened to for that reason.

Mr. Dunleavy has a degree of autonomy in Europe comparable to that of other group executives based in New York. Company officials maintain he suffers no lack of authority or top-level attention simply because his headquarters is an ocean away from the seat of power, a complaint sometimes voiced in firms with less extensive overseas operations.

When acquisition-minded ITT considers buying a company in Europe, for example, Mr. Dunleavy will scout the firm involved and submit recommendations to New York. If company headquarters says go ahead, he will head negotiations with the aid of specialists from the home office. Once ITT buys the company, Mr. Dunleavy will have full charge of running it through its own officers.

Thus, companies put growing reliance on the judgment of their men abroad.

Mr. Schwerdtfeger of Arrow emphasizes this point.

"We often buy special shirtings solely on Ted Koton's advice when he sees a special market opening, cut and make up several thousand dozens and sell them without a dime loss," he says.

With the need for such abilities as independent judgment, diplomacy, consideration of foreign feelings and a certain physical hardness, what do companies look for in a man headed for overseas assignment?

"Ability at his job is the sine qua non abroad, as it is here," declares Dr. Francis J. McCabe, chief of executive personnel for ITT. "After that we look for people who can adjust to different mores and live with local habits. We don't expect everyone to know the language when we send them. But Europeans, especially, like to see you trying to learn."

"In general, we look for people with sensitivity to their surroundings. If they don't have that, they'll never be able to use all their abilities."

**END**

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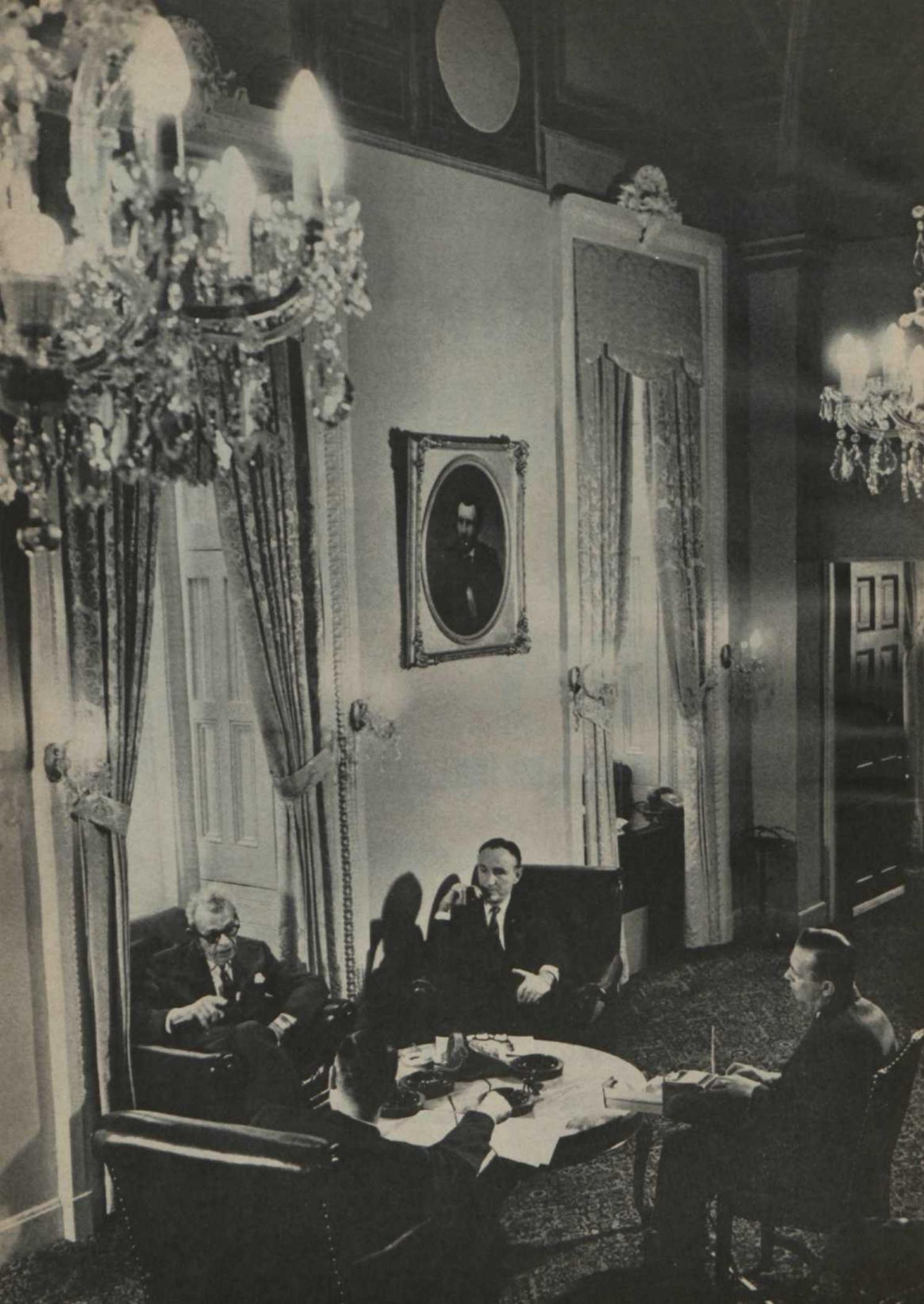
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# Congress and business: Senators Mansfield and Dirksen debate outlook

Exclusive Nation's Business discussion  
with congressional leaders on new laws

**WHAT DOES CONGRESS** have in mind for business? If anybody knows, it's Senate Majority Leader Mike Mansfield and Senate Minority Leader Everett McKinley Dirksen.

To give you an inside, authoritative look at the general mood and specific plans of Congress, NATION'S BUSINESS set up a conversation with the Senate leaders in the Capitol building.

Conducting the discussion was a distinguished businessman-educator, J. Whitney Bunting, dean of the College of Business Administration and Graduate School of Business, University of Georgia. Dean Bunting is a former General Electric Co. executive, ex-president of Oglethorpe University and author of several books.

**Dean Bunting:** Gentlemen, we have in mind a discussion of the relationship of business to legislation for the coming year.

Most of us believe that the fate of business, whether it be success or failure, is related closely to governmental activity in a society such as ours.

A great many governmental actions promote confidence in the future. Some create doubt.

From my point of view, we're in the process of educating young men and women for professional life in business, and we must know the answers because we are training for a climate rather than for technique.

The present congressional session may be one of the most productive in history from the point of view of legislation related to business interests.

For NATION'S BUSINESS readers, we want your views on these issues.

I'd like to address this to Senator Mansfield: What are the most important legislative proposals affecting business this year?

**Senator Mansfield:** Well, as I see it, it would be first the reduction in excise taxes which the President has advocated—in effect, a promise to the American people. It will be somewhere in the vicinity of \$1.5 to \$2 billion.

The other point I wish to emphasize is that the second part of the income tax reduction which was passed by the Congress last year goes into effect this year. That will benefit business.

So I would say that collectively this factor plus the reduction in excise taxes will put money into the mainstream and thereby keep businesses going.

**Dean Bunting:** Senator Dirksen, would you comment from your point of view?

**Senator Dirksen:** I will amplify the first part of Senator Mansfield's answer and put the emphasis on very substantial modification or complete repeal of the excise taxes in the retail categories.

We had the Senate Finance Committee approve that last year and then it was offered on the Senate floor and defeated by three votes. There is roughly four or five hundred million dollars involved.

But probably the most impelling reason for modification of the tax is the administrative burden that it puts on small business. They have to file their returns and also send their money to the Treasury after they collect the tax. They cover furs and costume and other jewelry, toilet preparations and luggage, including ladies' handbags.

Now, if you repeal those in their entirety, you

PHOTOS BY GEORGE TAMES  
*With business school dean as moderator, the Senate leaders predict the chances for legislation that would affect your business: tax cuts, new laws to hike wage costs and "temporary" programs which never do end.*

## MANSFIELD AND DIRKSEN

continued



leave that much purchasing power in the hands of the people. Four or five hundred million is certainly not hay—and particularly so as it relates to small business, because they would be real beneficiaries also.

One other thing. I hope that somewhere along the line we could secure some modification of our antitrust acts. There are so many conflicts between the Clayton Act, the Robinson-Patman Act, the Federal Trade Commission Act and the Sherman Act that sooner or later modifications are going to have to be made.

We have had it before the Antitrust Subcommittee of the Senate Judiciary Committee for a good many years. Nothing was done. When Herb Brownell was the attorney general, as I recall, he assembled 55 college professors learned in the law to take a good look at that whole picture. It was an abortive effort and nothing ever came of it.

But it seems to me that where you have harassment of business that ought to be lifted there ought to be a good look-see. Because some of these laws are quite archaic, and there ought to be modifications in the antitrust law structure.

**Dean Bunting:** Well, through both of your answers I think you have set the stage.

Several business and economic commentators have noted recently that there has been an improved relationship between the federal government and business. This has been based upon an apparently genuine desire on the part of both government and business to work closely together and to understand each other and recognize that both are making tremendous contributions to our society today.

Is this a true appraisal, Senator Mansfield, of the future relationship of government and business?

**Senator Mansfield:** Yes, I would say so. It appears to me that President Johnson has gone out of his way to assure businessmen that he is friendly toward them and would like to do what he can to assist them. He has indicated a great interest in the welfare of private enterprise. And the fact that he was able to get through—and he played a large part in it, as my distinguished colleague, the Minority Leader, will admit, I'm sure—the tax bill last year, lowering

both private and corporate taxes, will be of great benefit to the nation as a whole.

I think businessmen feel that President Johnson is friendly toward them, and I think that the President's efforts in their direction are proof of the validity of their belief.

**Dean Bunting:** Thank you, senator.

Sometimes we say that one of the most important phases of our economy is the psychological impact from boosting business thinking, and I would imagine that this is one of the things that you foresee in the future, Senator Dirksen.

**Senator Dirksen:** Yes.

I hope that you won't forget also another field where some assurances have got to be given to business. That is with respect to the legislation now being requested by the labor organizations.

You have there the repeal of section 14(b) of the Taft-Hartley Act, which would deny to the states the right to legislate in the field of right-to-work and kindred legislation.

In addition, you have the minimum wage and the proposal to send it to \$2 an hour. That would have a tremendous impact on small business—like restaurants and laundries and service companies of that type.

Then, in addition, you have other legislation that is proposed, such as the 35-hour week. Obviously, if you were going to have a 35-hour week with pay remaining at present levels for a 40-hour week, you can see the burden that would be placed upon business.

It's a matter that is going to get a good mulling over before any action is taken.

Now, there's one—

**Senator Mansfield:** Everett, before you go any further

*Republican Leader Everett Dirksen emphasizes the need for changing or repealing retail excise taxes.*



on that, to the best of my knowledge the Administration has not advocated a 35-hour week.

**Senator Dirksen:** No, it hasn't.

**Senator Mansfield:** Nor have they advocated a \$2 minimum wage. What is done in those fields will be done by individual members of the Congress on their own responsibility.

**Senator Dirksen:** That's quite true. I think that ought to be noted here very emphatically.

The President, in his State of the Union Message, did, however, say that he was going to recommend repeal of section 14(b) —

**Senator Mansfield:** That's correct.

**Senator Dirksen:**—of the Taft-Hartley Act.

**Dean Bunting:** May I ask this: Is there a considerable amount of pressure being felt at the present time in favor of a 35-hour week? In other words, does this seem to be a generally desirable thing from the point of view of certain groups of our society?

**Senator Dirksen:** It's sporadic, and it isn't general at all. I don't believe that we have felt any real pressure on that item so far as I know.

**Senator Mansfield:** No. I would agree.

**Senator Dirksen:** It has been taken up in the various conventions of the state labor organizations, but even there you will find some hesitancy about it and even some opposition.

I believe when the Illinois Federation of Labor met last fall you even had some, as I recall, who in that convention opposed the idea.

*Dean J. Whitney Bunting, of University of Georgia, asks senators their views on government spending.*

Consequently, you can get every shade of opinion. I think one other thing ought to be mentioned—the so-called Darlington Mills case. It springs from the fact that they had a labor dispute and then went out of business. The Labor Board and one echelon of the federal courts took the position that they couldn't go out of business. Another federal court took an opposite view.

That is being ventilated in the Supreme Court, and it will be rather interesting to see what the High Court decision is, because it will have a tremendous impact on business.

Just imagine what it would do to stockholders, who are going to buy stock in a company which might be highly speculative, to say, "Well, if something happens you can't even go out of business, sell your assets, make a distribution to the people who own the company"—and that's the stockholders.

That is of far-reaching importance. And if that happens, I anticipate the Congress would move on its own in that field in order to see what could be done.

**Dean Bunting:** Well, this would certainly look like an area in which Congress should step in and perhaps consider the case from the point of view of business protection.

**Senator Mansfield:** before we leave this labor topic, would you hazard a guess as to the success of efforts to repeal 14(b) ?

**Senator Mansfield:** That would be very difficult to hazard at this time. The President, as Senator Dirksen has indicated, did mention the repeal of 14(b) in his State of the Union Message. My guess is that it would be given consideration perhaps later this year. Whether or not it will be passed is open to question.

**Dean Bunting:** One of the most widely discussed

*Democratic Leader Mike Mansfield expects further improvement in government-business relationships.*



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### SENATORS

continued

programs of the President is the depressed area legislation. What are your views, Senator Mansfield? Do you consider it to be a temporary program? Or will it be a basic part of government from this point on?

**Senator Mansfield:** Well, there are very few "temporary" plans put out by the government. Usually when a proposal is enacted into law, it assumes at least a semi-permanent status.

It appears to me that the expanded program against poverty will be passed in both the House and Senate by substantial votes, that we will develop, very likely, a regional concept patterned after the Appalachian area bill.

It appears to me also that what is happening is a concentration of federal benefits in the heavily populated urban areas rather than in the rural areas. I suppose that is something we should expect, because in excess of 70 per cent of our population lives in the urban parts of our country and that percentage is increasing with each passing day.

So I would say that the program will become permanent and will become a part of the Administration's proposals to the Congress in the years to come.

**Dean Bunting:** Do you feel the same way, Senator Dirksen?

**Senator Dirksen:** Well, to capsule the general objective, there has to be a willingness to work, coupled with the availability of jobs compensated at factors that would raise people above the so-called poverty level of under \$3,000 a year.

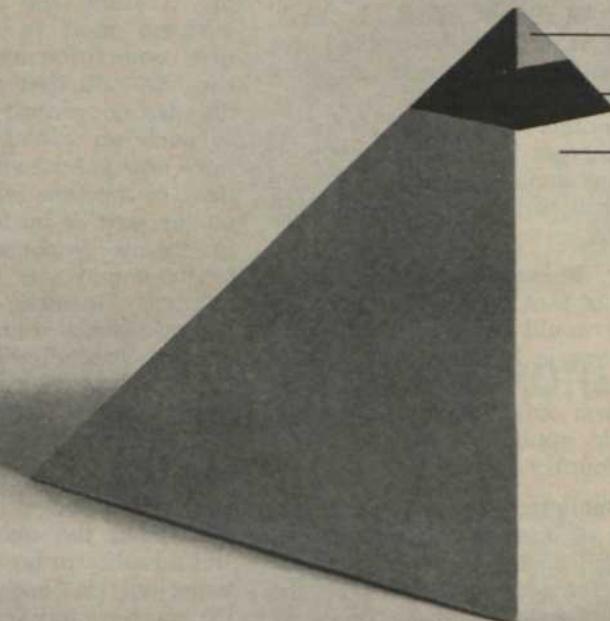
Now, having that in mind, a poverty program, or an antipoverty program, has to be articulated in terms of projects. And the question is: Are they going to be durable? Are they going to be useful? Are these proportioned so that you will create permanent jobs?

Now, I felt with respect to the so-called Appalachia program that there was an undue emphasis on the building of highways, in view of the highway program that is being carried on all over the country.

As I see it, you have to make jobs in these areas that are tied in with the natural resources of the states. That would be coal, for instance, in West Virginia. It would be timber in another state.

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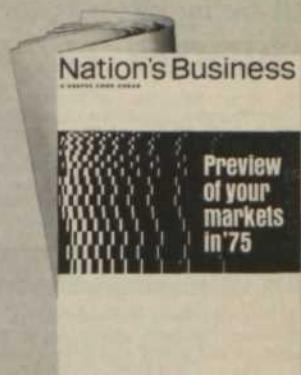
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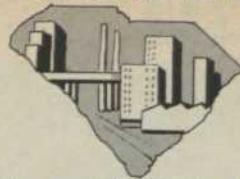
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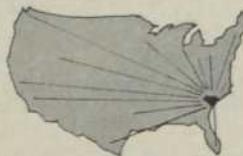
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## SENATORS

continued

come in there to utilize those resources and sponge up available manpower at well compensated rates in order to get over the hump? That's the real nub of the problem as I see it.

**Senator Mansfield:** Well, I think, Everett, it ought to be pointed out, too, that already there are very strong indications that there may well be other regions considered by the Congress in the setting up of programs somewhat similar to those which will be put into effect in Appalachia.

**Senator Dirksen:** I agree. As a matter of fact, the southern end of Illinois would be a case in point, some areas in Missouri and areas in Kentucky.

So you might have that same principle applied to other regions in the country.

**Dean Bunting:** In recent years one conflict of interest between government and business, if we may look at that for a moment, has been the matter of price control. To many Americans the issue of price control is at variance with our competitive economic system.

Do you believe that federal intervention in business pricing is now a definite role, or will the nation return to free pricing by business firms in the future?

**Senator Mansfield:** No, I do not believe that is a function of the federal government except in the most extreme of circumstances, as, say, during the case of a major conflict in which we happen to be engaged.

But I do think that business as a whole has a responsibility and that it shouldn't be a case of profits at the expense of all else, but reasonable profits, reasonable wages, reasonable employment to the people in the industry.

If I remember correctly, reading the business pages in this country over the past year, a good many of them, if not most of them, have received profits of record proportions.

I would not like to see the increase in steel and other commodities go so high that they would tend toward creating an inflationary process as far as prices are concerned to the average man in the street or a deflationary process as far as the value of the dollar is concerned.

I would hope that business would

exercise its responsibility, recognize that there is a role for economic statesmanship and act accordingly.

**Dean Bunting:** Well, senator, as you said that, I wondered immediately whether you have seen any growth in business statesmanship. Do you feel that it is progressing?

**Senator Mansfield:** Yes, I certainly do. I think the old days when business used to ride roughshod over competition and employees and the like—and that goes back many decades, not recently—have changed to such an extent that what we have now is business statesmanship most of the time and an awareness on the part of business that it has to operate responsibly in relation to its employees, to the national economy. Business, generally speaking, recognizes that there is an interrelationship in this world of today between how they administer their responsibilities and our relations with the rest of the world.

**Dean Bunting:** Ten or 15 years ago, or maybe a little bit longer than that, the question of ethics and morality in business was pretty important in congressional halls. Do you have any feeling about that now, Senator Dirksen?

**Senator Dirksen:** Well, I wanted to go back first to concur with the Majority Leader but, secondly, to point out that I think within his legislative lifetime and mine there was something of an indisposition on the part of businessmen to come down here and talk their problems over with their delegations from the state.

More and more there is a tendency now to do so, because you've got constantly to inform yourself on the problems of business if you're going to legislate correctly and durably on any subject where they have an interest.

So that's a barrier that has been to a considerable extent wiped out. I think you'll see more and more of it.

I suggested to the Board of Trade in New York late last year that seminars would be helpful—where businessmen come, meet with their delegations, and you sit around perhaps for a day and take into consideration most every kind of a problem that is likely to come up, get all the cards on the table. Then they can evaluate our views and we can evaluate their views. That's extremely helpful always.

If there is a tendency, as there was long ago, to believe that down here we were a lot of ogres just



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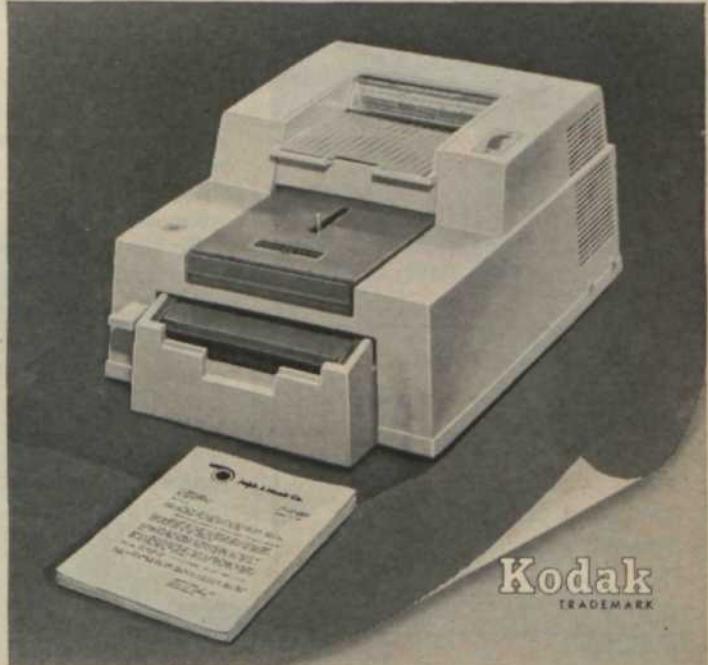
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## SENATORS

*continued*

waiting to put our tentacles on business and that we on the other hand felt that they were ogres trying to put their tentacles on the economy of the country, that has not made for confidence and it doesn't make for sound legislation.

It's when you bargain at arm's length and see the problem in its every detail that you're going to fashion a right conclusion, legislatively speaking.

**Senator Mansfield:** Yes. May I say I agree that the distance between the legislature and the business community has been drastically reduced.

**Dean Bunting:** Is a successful career in business becoming increasingly an opportune pathway into congressional circles? In other words, to be elected to Congress or the Senate?

**Senator Dirksen:** Well, it's extremely helpful for a very simple reason. When members are elected to office, you quickly find out what their background is. It may be banking. It may be manufacturing in some particular field. Comes then a problem, and almost automatically you say, "There must be somebody here who has some expertise and some special knowledge in that field." You go and seek him out right away.

I am thinking, for instance, of Senator Bush of Connecticut.

**Senator Mansfield:** Or Wallace Bennett.

**Senator Dirksen:** Or Wallace Bennett of Utah, who is on the Banking Committee.

When there were problems in the banking field or in the market field, it was quite natural to say, "Pres, what do you think about this?" or, "Wallace, from your background what do you think about it?"

So that is increasingly helpful in the whole legislative domain.

**Dean Bunting:** I'd like to turn to another area in which business has a great deal of interest, the question of the federal debt.

What future trends do you foresee in federal spending? Will the budget rise in the future above the fiscal 1966 level? Do you foresee a gradual expansion, Senator Mansfield?

**Senator Mansfield:** Yes, I do. I

think we may well be seeing the last of the under-\$100-billion budgets for fiscal year 1966. You have to consider the increasing cost of government. You have to keep in mind the fact that the government is taking over more and more responsibility because the states want them to, not because the federal government *per se* wants to assume that responsibility.

I think it will be a long time before we'll ever achieve a balanced budget, and I think we'll have to just expect to live with a debt of large proportions for—well, from now on.

And may I point out that even though the President has presented Congress with a \$99.7 billion budget this year, the Congress, following its usual custom, will very likely reduce that budget by somewhere in the vicinity of \$2 billion. That is a guess as of now. But I would point out that the Congress has consistently reduced budget requests.

**Dean Bunting:** I'm sure you would like to comment, Senator Dirksen.

**Senator Dirksen:** There's going to be a real hard look-see at the whole fiscal picture.

The interest on the debt is now above \$1 billion a month and that's almost unbelievable. But you're dealing in such astronomical sums that generally people can hardly comprehend what a billion dollars is—in terms of the privilege of borrowing money from your own people on pieces of paper called government bonds in order to keep afloat.

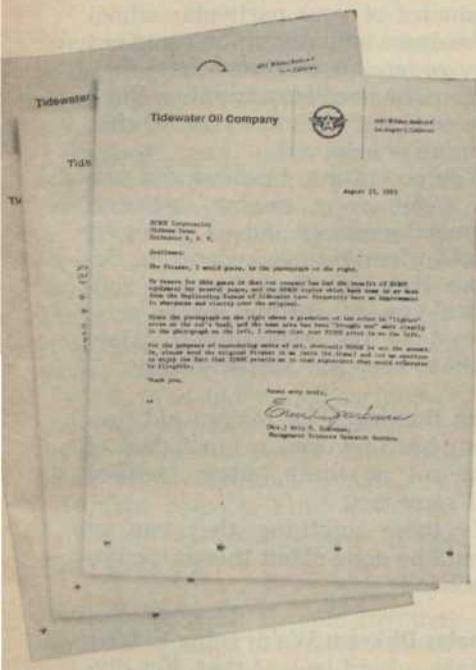
As of this moment I would guess that the public debt is about \$323 billion, and it will go up. We had the tax reduction, for one thing. For the calendar year 1965 revenues may not come up to expectations. And if so, then you'll have a deficit just as you have had a deficit in the last few years.

When we were holding testimony on the tax reduction bill, one of the economists indicated that he could not foresee a balanced budget before 1972. That may or may not be correct. But Congress is going to have to deal with it and try to hold it within limits.

You've got many unforeseeable things, but in a sense they're not unforeseeable.

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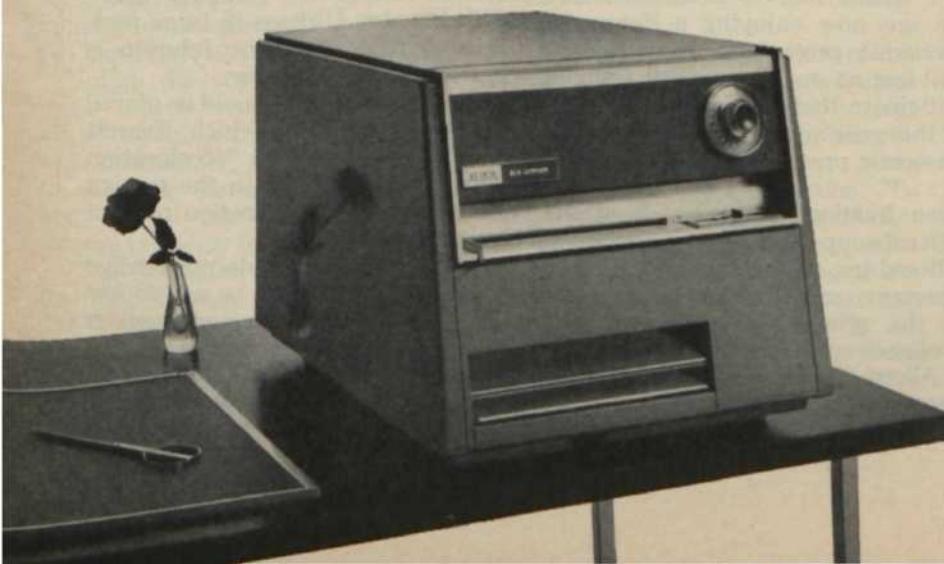
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## SENATORS

continued

paychecks and put it in the trust fund. The government was to match it with 3½ per cent. The government made some token payments over a long period of years.

I would guess—and I hope I'm not far afield—that perhaps we owe that fund as much as \$30 billion.

Now, if you're going to maintain the solvency of the retirement fund—which according to the Retirement Board figures would become insolvent, let us say, somewhere around 1987—then you're going to have to appropriate substantial sums in addition to what is being done now.

Actuarially, it's just not a sound procedure. We now take a little extra money out of every agency and put it in the fund in the belief that you can probably make it sound in a period of about 22 years.

When I undertook to add money to an appropriation bill in the

look forward to a balanced budget by 1972 assuming that—

**Senator Dirksen:** That was an economist's figure.

**Dean Bunting:** I stand corrected. But if we do reach a balanced budget by some future date, would you be primarily in favor of paying on the debt or further tax reduction, or do you feel that this should be taken up as circumstances dictate?

**Senator Dirksen:** I would like to see the government's fiscal house in order. That means you live within your income. And thereafter, in proportion, as you have surplus funds, you apply them to the public debt.

But first, get the fiscal house in order so that you're living within your income. That generates confidence as nothing else can do.

**Senator Mansfield:** Well, I think we become so acclimated to deficits that it's problematical whether or

yet federal legislation tends to ignore this field.

My question is this: Does the Congress believe fundamentally that business education should be basically financed by sources other than the federal government?

**Senator Mansfield:** Yes, I think so.

That is one place where business has taken the initiative. After the graduates of your particular school of business administration come out they go into business and there they receive the necessary training. Business puts out the money to see that training is achieved.

You go out into business and you get a job as a mining engineer, chemical engineer and oil geologist. That's where business comes in. Because they, in effect, in part, subsidize you in getting under way. They take that responsibility. They ought to keep that responsibility.

**Senator Bunting:** The foreign aid program has provoked a great deal of criticism at times, some justified and some not.

Is there anything that can or should be done about this particular problem?

**Senator Dirksen:** We're going to have to take a hard look at that. For myself, I think the foreign aid budget could be a little more selective than it is.

We're now in—what?—the twentieth year of our aid program. And I feel that probably it ought to taper more, and it should be accelerated downward more than is evident.

There is a growing feeling in the country to that effect, and I think foreign aid will have a kind of a rough go.

One country, this country, biggest and wealthiest in the world, cannot redress all the grievances of the whole wide world. There's got to be a jumping off place somewhere.

**Senator Mansfield:** I would agree with Senator Dirksen in large part. I think that President Johnson is moving in that direction.

Special emphasis should be placed on two expressions which Everett has used, and that is "acceleration downward" of funds in the foreign aid program and "selection out" of countries.

The countries that do not receive some sort of aid from us are so few you could very likely count them on the fingers of both hands at the most. It would be hard offhand, getting away from Communist China, the Soviet Union and certain of



Eisenhower Administration, the budget director called me. He said, "Look, you're kicking the President's playhouse over."

Well, that was not my concern. My concern was to keep a moral obligation to the retirees whose money was gyped out of their paychecks, and let government now take care of its share.

If you're going to do it, it's going to require very substantial sums, and that means you get your budget further out of gear.

Those are some of the things that have grown up over the years with respect to military pensions, social security, Railroad Retirement Board pensions and so forth. And the longer it goes, the more difficult the problem becomes. I doubt whether we can put it off very much longer.

**Dean Bunting:** You say we might

not by 1972 or thereabouts we will have a balanced budget.

If we do have a balanced budget, I would like to see the surplus used for the reduction of taxes for our people and our corporations. And I think in that way we would keep our economy in pretty good shape.

I would like to point out that we are now enjoying a degree of economic prosperity. How long it will last no one knows. But I would anticipate that we'd go through all of this year anyway on a fairly good economic prosperity wave.

**Dean Bunting:** We note all of the federal support of higher education, fellowships, research grants, facility programs and the like, particularly in the scientific, engineering and professional fields.

About 20 per cent of all of our enrollments are in the field of business and economic training. And

the Eastern European bloc countries, to pick out a nation which is not receiving some form of assistance in some shape or style from this country at the moment.

**Dean Bunting:** Well, gentlemen, I wonder if you would like to make a closing statement covering the whole broad brush of business and government relations as you see them.

**Senator Dirksen:** Certainly we have made progress toward the objective of a happier relationship between government and business.

Business must realize that we're not just camped behind pillars and closed doors with a broadax waiting to strike at somebody when he comes down here. This is an integrated country, and you can't ignore any interest—labor, agriculture, business, industry, the whole service pattern of the country.

We have to understand each other and come as near as possible to seeing problems clearly and then doing what conditions dictate.

In that respect, I think the relationship becomes sweeter as the years go by.

**Senator Mansfield:** I would say that the relationship between business and government is good and sound. I would hope most sincerely that it would remain so, and I'm quite sure that as far as President Johnson is concerned it will.

It is my belief that what he and his predecessor, President Kennedy,

both feared above all else were two factors. One was the continued outflow of gold from this country, which they have tried to stop with success during some quarters and not so much success during others.

The other thing which motivated both of them was the fact that since the second war on an average of every 44 months we had a business recession. And they both did their best to try and overcome that cycle.

We are well along in this particular phase of the business cycle. It looks as if we'll go on, on a fairly prosperous level during 1965. And in that respect it will call for a high degree of cooperation between business and government as well as between labor and government to try and forestall depressions, to keep our currency from becoming too inflated. To accomplish this will call for an integration of all these economic interests—agricultural, business, labor and the like—with government, and a mutual understanding and appreciation on the part of all toward one another.

**Dean Bunting:** Thank you very much, Senator Mansfield and Senator Dirksen.

END

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## SHOPPERS *continued from page 35*

High, also shopped the NATION'S BUSINESS list.

Considering the sketchy briefings they got, the shoppers turned in surprisingly uniform performances, both as to the time they were in the store and the amounts they spent. Mrs. Bain shopped the longest—50 minutes—and spent the least. Her bill came to \$12.47.

Unlike the students, Mrs. Bain made mostly single-item buys in all 35 categories. Married, though with no children, she is accustomed to shopping for only her husband and herself—and for the limited storage capacity in their apartment.

"The youngsters really got more for their money than Mrs. Bain did," comments Mrs. Nicholas, "but their buying has to be considered in light of the fact that they come from larger families. They tended

to shop more for specials and for a longer period."

Barbara Howe, a 17-year-old Yorktown senior, has a family that includes her parents, a 14-year-old sister and a Chihuahua. She says she definitely had "supply" in mind when she made her way through the supermarket aisles.

"I bought the large jar of instant coffee, for example. I can't see buying the small size or just one can or jar of something, because that means you'll have to come back to shop again real soon. To me, having something on hand—convenience—that's what's important."

Although Barbara was one of the fastest shoppers in the group (40 minutes), she commented: "If I'd known the store better I could have cut my shopping time in half."

The students were not told how

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## SHOPPERS

*continued*

long a time period to buy for, but most—on their own initiative—set up a target of about a week, according to Mrs. Nicholas. She says the girls generally showed good judgment and bought wisely. "The way they conducted themselves indicates that they are closely observing how their parents shop," she adds.

### What the list included

The shopping lists handed to the six students and Mrs. Bain consisted of these items:

**Canned goods:** Pork and beans, peas, tomatoes, pineapple, plums, peaches, vegetable soup, chicken soup, tuna fish, chicken, crab meat.

**Packaged goods:** Dried beans, dry cereal, cocoa, instant potatoes, gelatin (flavored), fudge brownie mix, cake mix, tea, coffee, crackers, pudding.

**Frozen products:** Lemonade, orange juice, fish fillets, broccoli, peas.

**Household and toiletry items:** All-purpose cleanser, laundry detergent, dish detergent, paper napkins, paper towels, facial tissues, tooth paste, wax paper.

The store where the student volunteers shopped is a Kroger Co. supermarket, a typical suburban facility. Its manager, John Williams, an eight-year employee of the company, stocks 10,000 items in his shelves and display cases. In laundry detergents alone his customers may choose from no less than 10 different brands.

Here's a closer look at the youngsters:

Amber Ingram is a 16-year-old sophomore who had never shopped the Kroger store. In fact, she had done no supermarket shopping alone prior to the NATION'S BUSINESS experiment.

"I saw products I hadn't seen before and I feel that from now on I'll have more interest in the stores and what's in them."

Amber's bill came to \$18.10. She looked for specials, buying three cans of name-brand peaches, two boxes of a two-for-39-cent facial tissue, for example.

"I didn't need a pencil and paper to figure out what was the best buy. I did it in my head. I would just work out which was the best buy per can," she said.

"If it is something you can keep a long time, something that won't

spoil or anything like that, you can afford to buy a larger quantity."

Any difficulty at all?

"No difficulty."

Barbara Howe, the 17-year-old senior, had home economics training only in the eighth grade. She does do the family shopping sometimes, but admits she's "usually in a fat hurry" when she does, which may account for her speedy trip through Kroger's. She had been in the store only a few times. Her sole difficulty was in locating the frozen fish.

Barbara's bill totaled \$15.22. She looked for multiple buys, too, although she feels that quality and brand names play the biggest part in her shopping decisions. When interviewed, she tossed around odd-size content figures and number-of-servings data like a seasoned homemaker.

Does she think it's deceptive for such things as cake mixes to depict the finished cake?

"I don't think that's deceptive at all. Who wants to look at a picture of cake powder?"

Does she think that shopping skill is something a girl can pick up on her own?

"If you've been eating for 17 years you can't help but learn something about food and food buying."

Barbara watches the ads for "price fluctuations, especially in meat and produce."

Is there anything she doesn't like about shopping?

"Waiting in the checkout lines."

Joan Carolyn Welch was the other senior in the experiment. She's 17 and is taking a commercial course in high school.

Joan likes to shop. "I enjoy looking at the various brands and products on display. There's so much you should know. Like looking for specials. Food stores don't make much profit on what they sell, you know."

Her shopping bill was \$14.66. Another bargain-seeker, she scanned the cardboard sale notices as she moved through the store. She had no trouble with amounts expressed in fractions.

Joan says she often doesn't worry about how expensive an item is if she thinks it tastes better.

"Shopping is something a girl can pick up on her own," she said, "but you have to learn how to put together a nutritious, balanced menu. A home economics course can help you there."

Her only complaint about labeling: "Maybe more products could indicate the number of servings

on the package. This helps when you're planning a meal."

Janet Carabin, 16, had never shopped alone for groceries. She hadn't been in the Kroger supermarket for a couple of years, but she quickly got her bearings by checking the overhead signs and aisle markers and wound up tied with Barbara for fastest shopping time.

Her bill was \$19.56, highest of the test. She bought some sale items, found the packaging information clear and helpful. In conversation with a NATION'S BUSINESS editor she mentioned some of the recent innovations in food packaging. Among them: vegetables which come in a plastic bag that can be immersed in the cooking water.

Janet Redmon, another sophomore, is 16 and does all the food buying for her family. "I go every Friday," she said. "I like to do it; it's as much fun to me as going to a movie."

Janet spent \$18.25 and chose a variety of brands.

#### Information adequate

She is guided by name brands and the amount in a package. Package and label information? She finds it adequate. (When she took a can of plums from one shelf she carefully examined it to determine the water content.)

One of the items Janet bought was the "Big Bonus Box" of powder for an automatic dishwasher—"four extra ounces free."

What she likes most about shopping is "keeping up with all the new changes. I think they should always be thinking of new conveniences for the consumer. I say more power to them."

Carol Simpson, 16, is just starting the food phase of a home economics class in Yorktown High's tenth grade.

She spent \$15.45 and kept an eye peeled for good buys.

She does some of the family shopping and likes the variety offered in supermarkets.

She finds the package information helpful.

"Sometimes I'll check it closely, especially if I'm buying for a specific recipe."

Carol thinks brand, color and appetizing pictures might influence her shopping choices, but she says that her mother's preferences probably have played a big role, too.

Any confusion?

"Only in locating a few items in the store."

To get a seller's-eye view of consumer savvy, NATION'S BUSINESS interviewed personnel of the Kroger supermarket and other salespeople at supermarkets in the Washington, D. C. area.

#### What the sellers say

The portrait of the typical shopper drawn by these people hardly corresponds with that painted by those who are calling for more federal regulation. Far from being timid, confused souls hopelessly adrift in Supermarketland, most buyers, especially housewives, are a flinty band that surveys the newspaper food sections during the week and then descends on weekend supermarket sales with the determination of commandos hitting the beach, say sellers.

Some people, of course, are always going to be confused or misled by any system of competitive pricing and promotion.

But regulations by Uncle Sam or anyone else aren't likely to help this minority of shoppers, marketing experts make clear.

"They're getting shrewder all the time," said one supermarket manager, shaking his head. "They come through the door clutching bargain buys clipped from our newspaper ads and the specials from ads by all the other stores in the neighborhood."

This comparison of one store's offerings against another's is sometimes called "cross-shopping" in the trade. Buyers who carefully note only the bargain sales and then systematically pick them off in one market after another are sometimes known more irreverently as "grave-diggers."

#### Sharp shoppers

At Arlington's Kroger supermarket, meat department manager Jack Linkenhoker tells of finding a shopping list that had been dropped by mistake into a display of packaged hamburger. On the list the shopper had scribbled all the sale items being offered that day by five different stores. "People are sharp," says Mr. Linkenhoker. "They know what they want."

Walter P. Margulies, president of Lippencott & Margulies, Inc., a New York industrial design firm, says: "Every day there is a nationwide vote taken by consumers in the supermarket and other stores.

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## SHOPPERS

continued

form of regulation than anything the government could set up. People have a great variety of likes, needs and notions. They don't want to go back to the era when they could have any color car they wanted as long as it was black."

Some of the dangers of federal regulation are pointed out by designer William Snaith, president of Raymond Loewy-William Snaith, Inc.

To define the individual character of a product and make sure the consumer understands its qualitative difference when compared with similar products, the container industry has in recent years "engaged in increasingly ingenious, economical and convenient container shape developments," Mr. Snaith says.

"The consumer doesn't buy a 'quantity' in itself, but rather the benefits obtained through the very special, different characteristics of a product. Anything that can be done to project this difference in terms of package shape, appearance and function is of benefit.

"The proposed legislation will, in effect, deny the consumer this important additional aid in making an educated selection. It will tend to encourage an increasing degree of package uniformity which will effectively disguise important differences in character, taste, performance and convenience between different products competing in the same general area."

### What other students said

After the supermarket experiment, NATION'S BUSINESS interviewed 28 other Yorktown High School students, asking them to answer in writing such questions as these:

How much experience have you had in supermarket shopping?

What is it you like most about shopping?

What do you like least?

Do you ever find yourself confused when you are in a supermarket or ordinary grocery store? If so, what is it that confuses you?

Do the packages, cans and other containers displayed tell you what you want to know about the products?

The young people who answered the questionnaire are all taking home economics. They range in age from 15 to 17. Most of them have shopped in supermarkets and several indicated they do the regular

buying for their families. Most reported that they enjoy shopping. Adverse comments centered largely on time spent waiting in checkout lines and the hustle-bustle of aisles crowded with shopping carts.

Reaction to packaging information was generally favorable. Few reported any difficulty in understanding information on labels, though there were several who suggested that more food processors include information as to number of servings. Said one 16-year-old: "I like to shop because practically all of your needs are displayed by one company or another and the conveniences of the modern supermarket are most helpful."

Many young homemakers in the United States today have had special training in purchasing. Nationally, an estimated two and a half million teen-agers are enrolled in junior and senior home economics courses. Many of these courses include specific instruction on how to shop intelligently for clothing and food items.

In Arlington, according to Home Economics Supervisor Katherine R. Conafay, the food instruction gets into such details as how to vary menus, how to read labels, how to

differentiate package sizes, quality and quantity.

Companies in the food and clothing industries make mountains of information on their products available to teachers of home economics. Some of this information is, in turn, passed on by the teachers to their students. Some of it is specifically designed to help young people make intelligent purchases, regardless of brand.

The availability of such literature (many states also publish consumer aids) is a factor which merits noting in the present controversy over the consumer.

Most people agree that business must fairly and clearly identify its products. Argument arises over how well this is now being done. Groups and individuals who oppose more federal regulation argue that existing laws and industry practices have produced packaging that is both honest and understandable.

END

**REPRINTS** of "Who Says Shoppers Are Stupid?" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1000 postpaid from NATION'S BUSINESS, Washington, D. C., 20006. Please enclose remittance.

## DEPRESSED AREAS

continued from page 37

away as Clarksburg in contracting for plumbing and electrical work and the like.

The plant brought in 15 families from outside, adding to the demand for housing, and otherwise hired high school graduates locally.

Wage levels have risen under the influence of Moore's rates, which exceed \$2.50 an hour for fully experienced production workers.

There have been less tangible effects, too, such as the special \$600,000 school levy which was finally approved by the voters after being defeated at the polls three times running. Long-time residents view this partly as a sign of rising prosperity, partly of increased interest in education. Moore turned down a number of job applicants who lacked a high school education.

Another sign of the times, according to Thomas H. Clawson, manager of Appalachian Woods, Inc. and president of the Buckhannon Chamber of Commerce last year: The local bank's assets are increasing by \$1 million a year and it has just built a new building. Another bank in the county also is expanding.

Upshur County's unemployment

rate of 13.8 per cent in December, 1961, was down to 8.5 per cent last December. It was down to 5.5 per cent last October.

### Outlook improves

The work force for the county as a whole has been slowly declining, as some unemployed seek work elsewhere. A coal mining operation shut down in 1963, wiping out some 100 jobs. But developments in the Buckhannon area offer hope of further improvement.

The operator of two coal mines in other parts of the state is opening a new mine at Adrian, six miles from Buckhannon. It's expected to employ 50 workers, including some former Upshur County coal miners who moved away in search of work and want to come back home.

Also, Mr. Clawson expects retail activity to catch up with increased manufacturing employment. There's also a possible added payroll at a garment factory now employing about 200 women.

Subsidized industry, at least so far, is another matter. "We don't want it," one local leader tells NATION'S BUSINESS. "We're

**tick-tock, tick-tock, tick-tock, tick-tock,  
tick-tock, tick-tock, tick-tock, tick-tock,**

**tick**

## What would happen if you should die without a will?

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## DEPRESSED AREAS

continued

looking for industries that can finance themselves. It makes for a healthier situation."

Even more graphic is the current recovery in Johnstown, Pa., where an unemployment rate twice the national average for four years gained nationwide notoriety.

The Labor Department noted a sharp upturn in the area's economy in late 1963 and gave considerable weight to expansion of the Bethlehem Steel Co. It has invested more than \$67 million at its Johnstown plant since 1960. A further \$10 million expansion is in progress.

"Right now," explains Bethlehem's Johnstown plant manager George H. Greene, "the steel industry is experiencing a strong demand from automotive, construction, railroad and appliance markets—triggered mainly by a tremendous surge in capital spending caused by our customers' competitive needs to modernize and expand."

Bethlehem has been expanding a number of steel-producing facilities and its mining operations in the area and has opened a giant coal-cleaning plant.

United States Steel Corp. also has stepped up activity in the Johnstown area with extensive callbacks of workers and new activities.

The biggest single development currently is the resurgence of the coal industry, according to Howard A. Hill, executive vice president of the Johnstown Chamber of Commerce.

An entirely new operation is planned for the near future. It's known as the Keystone power plant, a mining and mine-mouth generating facility being undertaken jointly by several utility companies.

A related mine-mouth project announced recently, the \$225 million Conemaugh facility near Johnstown, will generate 700 permanent jobs in two new mines at the plant site, furnishing 80 per cent of fuel requirements, and other jobs at outside mines supplying the remainder.

The Conemaugh facility and the Keystone project, plus another mine-mouth plant being built near Morgantown, W. Va., represent expenditure of nearly \$600 million and creation of thousands of construction and mining jobs.

Meanwhile, Johnstown also boasts such developments as expansions at two lingerie factories, a new Sears Roebuck store, a new shopping center spurred by a limited-access high-

way, a new branch of a downtown department store, and a pickup in service and other retail business.

One important factor, says Mr. Hill, is the "willingness of local industries to spend money, expand and go ahead. It took a long time to get the attitude changed to that point."

It is significant that for the 1963-64 period the Area Redevelopment Administration, which lends up to 65 per cent of the cost of commercial and industrial projects at subsidized interest rates, approved loans totaling \$13 million for 36 projects in Pennsylvania designed to employ 4,090.

### Investment doubles

At the same time, the Pennsylvania Industrial Development Authority, a state agency, loaned \$29 million for 175 projects costing a total of \$73 million and creating employment for 20,636. PIDA figures cover construction alone, state officials emphasize, so the \$73 million may be matched by an equal

A prominent labor authority tells what repeal of Section 14(b) of Taft-Hartley Act would do to relations between labor and management in U. S. See page 31.

amount in machinery and equipment.

Michigan also provides strong evidence that the main thrust of economic improvement comes from investment by private industry.

In this state, where 57 of 82 counties have been listed as depressed at some point, the Big Three automobile companies led the field in actual and announced expansions in 1964.

Utility companies, sparked by Detroit Edison Co. and the Michigan Bell Telephone Co., were next with announced expansions of 164 per cent.

In manufacturing, the Ford Motor Co. announced plans for a \$92 million stamping plant to employ 4,000. Chrysler Corp. is completing a \$40 million plant that will employ 3,000. Ranking next for a single project is a \$15 million investment in a facility to produce iron ore pellets, providing work for 400.

Other major expansions and new plants bring the total to 50,000 estimated manufacturing jobs added in depressed areas of the state.

Conservative estimates indicate that an increase of 100 in manufac-

turing employment creates 65 non-manufacturing jobs. Such expansion, plus over-all prosperity, helps explain why unemployment statewide in Michigan dropped to a yearly average of 4.5 per cent, less than half the 1961 average of 10.2.

It also helps explain why the three-county Detroit area is among the six regions dropped from the ARA distressed list.

Private investment, actual or announced, in manufacturing in areas currently or formerly listed as depressed totaled \$678 million in 1963-64. ARA loans for commercial and industrial projects totaled only \$13.8 million.

"The spectacular decrease in unemployment mirrors the sound improvement in the Michigan economy," observed Thomas Roumell, director of the Michigan Employment Security Commission, in a year-end roundup.

His report notes that manufacturing payrolls topped one million in 1964 for the first time in seven years, with a yearly increase of 36,000—17,000 in automobiles alone.

Economic expansion is credited with lifting the depressed-area label from two counties in Iowa where six industrial developments were announced over an 18-month period. These represent \$5.5 million in capital outlay and an employment potential of 775.

Already in operation is the Visking Division of Union Carbide. The other is the Bersted Division of McGraw-Edison Co.

### Nationwide picture

A NATION'S BUSINESS survey of state commerce commissions and economic development agencies provided these other highlights of the job-creating activity of private business across the nation, solely within depressed areas:

Minnesota reports total commercial and industrial investment for 1963-64 as \$25,745,754 for total additional employment of 2,438. This includes \$4,484,571 and employment of 666 by firms subsidized by ARA and \$21,261,183 with employment of 1,772 by firms that are not. The figures do not include \$40 million to be spent by the Eveleth Taconite Co., for which plant construction began last year.

Kentucky, whose estimate covers only 1964, lists \$89 million worth of plans for new and expanded manufacturing plants, excluding projects assisted by ARA, the state industrial development authority or municipal industrial bond issues.

Reports Damon W. Harrison,

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The CCC Highway Inc., subsidiary of U.S. Truck Lines Inc., put five Chevrolet D6203H tractors with Detroit Diesel 4-53's to work in April 1964... added 45 more since. CCC, a short-haul carrier headquartered in Cleveland, operates 13 terminals serving Ohio and the five surrounding states. In their critical pickup, delivery and peddle operations the 4-53's are delivering 6.5 mpg, pulling 10,000- to 20,000-lb. payloads in 24-foot trailers.

## DEPRESSED AREAS

*continued*

executive assistant to the state commerce commissioner:

"An outstanding example of private investment is Gates Rubber Co. Gates announced a new plant at Elizabethtown, Ky., during 1964 to produce V-belts for automotive assembly. Employment was expected to total 60 and investment \$2 million. However, even before construction was completed the firm announced a \$12 million expansion expected to increase the initial employment estimate by 200."

Arizona lists investment totaling \$99 million, including such diverse activities as a \$7 million recreational development, a \$35 million development of copper property and a concentrator mill, and a pulp and paper mill costing \$40 million and employing 350.

South Carolina reports investment of nearly \$167 million, creating 12,000 jobs in ARA-designated depressed counties. This includes the \$10 million Electric Storage Battery Co. at Sumter with 350 employees.

The state also reports additional investment of \$163 million, accounting for 7,500 new jobs, in non-ARA counties that are included in the Appalachia region.

In neighboring North Carolina, manufacturing investment is officially estimated at \$52 million during the past two years in depressed areas (ARA reports it approved \$4 million in the past three years.)

A modern, \$3 million textile plant employing 200 workers, opened about a year ago by Collins & Aikman Corp. in agricultural Pitt County, is described by a state official as "a real shot in the arm to the economy of this area."

The state of Washington lists new and expanded manufacturing at \$31 million, including ARA projects with government loans totaling \$842,000. Roughly a quarter of the total is accounted for by Rayonier, Inc.

Georgia estimates investment of more than \$27 million in 1963-64 in its 77 counties listed as depressed. ARA loans total about \$3.5 million. The number of jobs created was 5,000, and more may result in 1965 from last year's spending.

Depressed-area investment in the state rose from \$7.6 million in 1963 to \$19.9 million last year. In 1963, the Great Southern Land and Paper Co. mill in Early County, representing \$59 million for investment since

1961, began operations with added employment of 360.

Oregon chalked up more than \$18 million in purely private investment in its depressed areas. Crown Zellerbach accounted for \$15 million of this total.

New Jersey, with five counties listed as depressed, estimates just under \$18 million in industrial construction, with no totals for machinery and equipment.

Oklahoma estimates purely private investment at \$23 million; resulting increased employment, 1,654. One reason is the heavy investment of capital per job in the chemical industry. Three projects of the John Deere Chemical Co. accounted for nearly half of the state's figure.

Ohio reports that \$94 million in private money went into the state's 23 federally designated depressed counties in 1963-64. ARA approved projects totaled only \$1.2 million.

The Texas Light & Power Co. estimates investment of at least \$10 million in new plants alone in depressed counties of Texas, including the Timely of Texas furniture plant

at Crockett, a \$500,000 facility expected to employ 150. Present payroll is 88.

The Crockett facility is of particular interest, being located in the same town that received nationwide publicity when an electronics firm, to be financed by ARA, failed to materialize after getting a political propaganda build-up.

These highlights are mainly manufacturing estimates, with no estimates of the underlying strength such spending gives a community's retail and service establishments.

Parkersburg, W. Va., where glass and chemical industries predominate, shows what can happen. Its four-county region was removed from the Labor Department's distress list in December of 1963.

One reason for the improvement was a sharp employment increase in chemicals. At the same time, newfound strength in the textile industry permitted stability at the 1,700-employee American Viscose subsidiary there.

Parkersburg's improvement is now reflected in new motels, construction activity and retail sales. **END**

## MAY BUST THE BUDGET *continued from page 39*

mere \$211 million off the budget request of then President Eisenhower.

Capitol Hill affects spending in several ways, and each must be understood before the vulnerability of the Johnson budget is realized.

Congress first has to authorize most new or enlarged spending programs. It does this by passing "authorization bills," which set the broad outlines of programs and the maximum amounts of money that can be spent on each. By increasing or reducing these authorizations, Congress can set the general shape and trend of federal spending.

Before the money can be spent, Congress in most cases must pass specific appropriations bills. These bills actually make the money available to the agency concerned. Since the lawmakers don't have to appropriate all the money they originally authorize, they get a second crack at the size of spending.

Congress also approves budgeting procedures—that is, the way spending items are to be counted in the budget document. Congressional willingness or refusal to approve a particular budget device can affect the books, making spending seem higher or lower.

An example: Congress can approve a revolving fund that permits

a lending agency to lend out money paid back to it on previous loans without counting it as new spending.

### **Why new spending?**

This year, a pro-spending attitude can be expected in each of these areas. Why this new outlook? One obvious reason is the big gain the Democrats scored in the House of Representatives in last November's elections. The Senate in recent years has been firmly liberal, ready to okay most spending. But the House has been relatively conservative, where Republicans and Southern Democrats have been able to make common cause to trim or block spending plans.

The election swung the House sharply to the left. The line-up changed from 257 Democrats and 178 Republicans to 295 Democrats and 140 Republicans. Further, practically all the new Democrats ran on "New Frontier-Great Society" platforms. They want to start delivering on their promises before they must face the voters again two years hence.

These newcomers don't want to raid the Treasury daily. But they do want a few scalps on their belt by election day in November, 1966.

The Republicans, grievously

wounded by the election outcome, are out to build a "positive image." Therefore most of them are less inclined to be constantly opposed to spending.

Further, with the Johnson spending emphasis on the war against poverty and new education and health programs, opposing spending almost makes a man seem to be for poverty, ignorance and sickness.

Another important element in the picture is the fact that two of the House's big citadels of federal economizing—the Rules Committee and the Appropriations Committee—have been partly overrun. The Rules Committee, through its function as a legislative traffic cop, was frequently able in past Congresses to delay or completely block spending bills. But now the House has adopted rules that give the Democratic leadership power to circumvent the Rules Committee.

The Appropriations Committee, under the late Chairman Clarence Cannon of Missouri, was long a formidable hurdle for spending proposals. But Mr. Cannon died last May and was replaced as chairman by George Mahon of Texas. Mr. Mahon is no wild spender, but he is certainly a lot readier than Mr. Cannon was to deliver for fellow Texan Lyndon Johnson. He probably won't want to cut spending as deeply as his predecessor would have.

Moreover, the White House and House Democratic leaders, worried over the way Mr. Cannon and some of his Southern colleagues worked with Republicans on the committee to cut appropriations in the last Congress, took advantage of the lopsided party ratio in the new House of Representatives to increase Democratic strength on the committee. For many years there was agreement that the committee would have 30 members of the majority party and 20 members of the minority. This year the ratio has been shifted to 34 Democrats and 16 Republicans. Most of the new Democratic members are dependable votes for the leadership.

As an example of what has been going on, witness what happened to the Foreign Aid subcommittee: Its membership has been cut from 11 to nine, and three of its members who voted with Chairman Otto Passman of Louisiana to cut foreign aid last year have been transferred and replaced by three Democrats who are on record against reductions. On the surface, at least, any effort to cut aid seems doomed to a 6-3 defeat in the subcommittee.

A clue as to what is likely to happen to appropriations this year is provided by what happened last year. Partly because Mr. Mahon replaced Mr. Cannon in mid-session, Congress cut only a little over \$3.4 billion from the Johnson appropriations requests, compared with \$6.8 billion cut from the Kennedy requests the year before. This year surely less cutting can be expected since the Appropriations Committee is now incomparably more pro-Administration.

Probably one reason Congress cut so much less from Mr. Johnson's requests last year was the fact that he himself had trimmed agency requests considerably before sending the budget to Congress. This year that is true again. Whatever reservations one has about the spending increases in the President's budget and about some of the bookkeeping devices he used, it is clear that he did chop deeply into the requests of his departments and other agencies before sending them to the Hill.

According to Budget Director Kermit Gordon, the President's recommendations were some \$11 billion less than the agencies requested. In agency after agency, officials were forced to absorb pay increases or to carry on expanded functions with the same money as before. The United States Information Agency, for example, is asking only \$161 million for the coming year, compared to an appropriation of \$164 million last year.

There is one long-standing congressional tendency which could spell extra trouble for the Johnson \$99.7 billion spending projection. That is a strong antipathy, likely to continue despite the changed complexion of Congress, toward large supplemental appropriations—appropriations that are submitted on an emergency basis for quick action before the end of the congressional year then under way.

The Administration is asking close to \$6 billion of these supplemental funds for the current fiscal year, and some officials admit privately that several billions of this amount are included simply to keep the new budget below \$100 billion.

For example, the Administration wants over \$1 billion in emergency appropriations for the United States contribution to a new International Monetary Fund assessment. Of this, \$257 million would be spent right now, the rest not until fiscal 1967 or later. There's a good chance that Congress will balk at voting this money on an emergency basis



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## BUST THE BUDGET

continued

and insist that it be made part of the fiscal 1966 appropriations. That would increase fiscal 1966 spending by \$257 million.

The major threat to the \$99.7 billion figure, of course, is that Congress will (a) cut administration spending requests less than it usually does and (b) order additional spending that will more than cancel out what cuts it does make.

### For more pork barrel

For example, Democratic Rep. John Blatnik of Minnesota, a high-ranking and popular member of the House Public Works Committee, is leading a fight for a new \$2 billion accelerated public works bill. He has attracted wide support among House Democrats. The Administration has made no provision for continuing an APW program in its budget, merely suggesting inclusion of some public works projects in a revived Area Redevelopment Administration. It had allocated only \$400 million for this program for several years, with first-year spending of only \$40 million.

The chances are that, even if the full \$2 billion Blatnik program is headed off, a fatter redevelopment program will be voted with more emphasis on public works. This last item is important because any accelerated public works program has a quick impact on spending, since the whole idea is to get the money out fast for job-creating work projects.

The Administration itself is proposing a substantial boost in federal public assistance payments to the states for needy old folks, children, the blind and disabled, and other groups. Rarely has any administration been able to hold the line on its original requests in these areas; Congress almost always carries them an expensive step further.

Then there is the Administration's \$1.3 billion elementary and secondary school bill. House Labor Committee Chairman Adam Clayton Powell of New York is talking of doubling it, and of tripling funds for the antipoverty program. The Administration asked for \$1.5 billion in antipoverty funds.

Senate Democratic Leader Mike Mansfield of Montana and Vermont's Republican Sen. George Aiken, both very influential, are leading a bipartisan drive for a \$100 million federal program to help develop water distribution sys-

tems in rural areas. Backers of more federal aid for urban mass transit, for highways, for recreation areas and a dozen other endeavors are all pushing for more funds.

### But cold to cuts

While the lawmakers press for higher spending than the President proposed, they are also likely to give a cool reception to some of his proposed economies. Sen. Richard B. Russell of Georgia, Representative Mahon and other influential figures, while generally economy-minded, are also defense-minded and they are disturbed over some of the Johnson-McNamara defense economies.

Some congressional space boosters are upset over the cancellation of space projects. But these are places where the whip hand is the Administration's. For the most part Congress can do little more than complain and make things hot for agency officials who come to the Hill to defend the Administration's decisions.

Where Congress can really block economy plans, however, is where affirmative congressional action is needed to put them into effect. For example, the Administration is proposing that some payments to farmers for idling crop lands under the feed grain program be postponed a few months. They now get one half the money in advance, and the Administration proposes to cut out the advance payments. This would save some \$400 million in fiscal 1966, although nothing in the long run. Farm-state lawmakers almost surely will put up a hard fight against this change.

Mr. Johnson is proposing that government-insured private loans be substituted for direct federal lending on farm houses. The change would save the government \$73.5 million in the coming fiscal year. The same plan was blocked by Congress last year. Though agriculture officials are more optimistic this year, success is far from certain. The President is talking about an overhaul in the merchant marine subsidy program, but ship companies and unions have powerful friends on Capitol Hill, and any administration proposal would have rough sledding.

Finally, Congress can also junk some of the bookkeeping changes Mr. Johnson is using to hold down his spending totals. Some of these changes are legitimate and sound; others are merely gimmicks.

For example, the Administration proposes that spending be "re-

duced" some \$321 million by permitting the Rural Electrification Administration and several power agencies to adopt a revolving fund approach to their operations. Now the money these agencies get from loan repayments or power sales goes into the Treasury, and any new lending or construction counts as new spending.

Under the revolving fund, they could use their receipts for loans or construction. Government revenues would be that much less. So would the spending figures—although, of course, the actual spending would be no different. Congress has been cool to this kind of approach in the past. And a refusal to okay the REA change this year would boost the budget by \$321 million and by a single action push it over the \$100 billion mark.

The Administration is proposing what appears to be a sensible shift in the timing of pension and compensation checks for veterans. The purpose is to smooth out the mail flow, easing the work of the Veterans Administration and the Post Office Department. In the process of switchover to staggered payment dates, the government would save \$150 million in the coming year. The Administration insists that no veteran will lose by the change, but the veterans' friends in Congress, of whom there are many, may find it hard to understand how the government can save \$150 million in this area without the veterans losing it. And unless they understand, they won't okay the change.

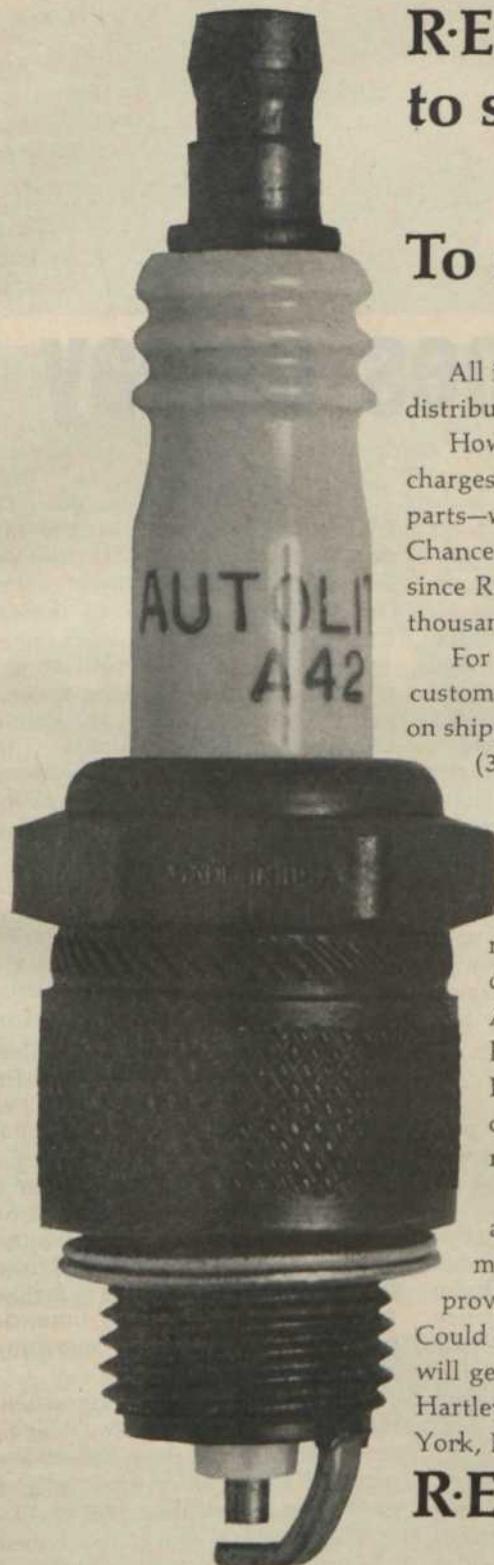
The lawmakers may also balk at a special batch of user fees the Administration is proposing in the Agriculture Department. These would apply to meat and poultry inspection and to technical help given in soil conservation work. The peculiar way these items are handled in the agriculture section of the budget serves to reduce spending—rather than increase receipts—by \$77 million in the coming year. Congress refused to approve these fees last year. Another refusal would increase the agriculture spending by that amount.

So, all in all, Mr. Johnson's budget, delicately balanced just below \$100 billion, is in dire danger as it comes before the men of Capitol Hill. In the old days a statement like that would mean that the congressional meat axes were whetted and ready. But this year they are blunted or laid aside, and there is an expensive gleam in congressional eyes.

—CHARLES B. SEIB

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# Birds, beaches, bistros Urban renewal goes astray

THE FEDERAL urban renewal program is wandering far afield from its original purpose of city slum clearance to help the poor.

Here are some of the projects that the federal agency is getting into:

- A wild bird refuge on the Atlantic coast.
- A new site for that citadel of capitalism—the New York Stock Exchange.
- A rebuilt beach for a New Jersey resort town.
- Recreational facilities, with a restaurant, promenade and marina, for socially plush Newport, R. I.
- A tract for an aerospace research center in Massachusetts.

Congress is expected to scrutinize these and other aberrations of federal urban renewal this session as it considers the program's future. The Urban Renewal Administration's fund authorizations will soon run out—nearly \$4.7 billion has been spent or earmarked for projects since 1949.

As controversy swirls around the federal program, critics point out that it is wandering farther and farther astray. The strong emphasis on better housing in the 1949 act has been watered down by successive amendments.

Now, for example, 30 per cent of federal projects need not be predominantly residential either before or after renewal.

In a typical urban renewal project, a local government agency acquires property by purchase or condemnation, clears it and then re-

sells it at a discount price to a private developer. The federal government pays two thirds of the net cost to the local agency.

One of the tangential paths the Urban Renewal Administration has followed is the open space program, established under the Housing Act of 1961. URA says its purpose is "to help prevent urban blight through sound and balanced community growth and development by providing for permanent open land uses in urbanizing areas." Land purchased by local or state agencies with the aid of federal funds may not be used for building but may be developed with nonfederal money for recreational, conservation, historic or scenic purposes.

#### ***Renewal for the birds***

As one example of how the program works, the Urban Renewal Administration has approved a grant to the state of New Jersey to pay 30 per cent of the \$900,000 cost of acquiring a 2,895-acre tract at Corson's Inlet just south of Ocean City. That portion of the property fronting on bays and inlets will be preserved as a wild bird refuge, and the ocean frontage will be developed by the state for water sports and picnicking.

"When our federal government starts using urban renewal money to develop bird refuges at a time when American citizens are living in slum conditions, such muddled governmental thinking is strictly for the birds," says Milton W. Glenn, who formerly represented that district in Congress. "It is ridiculous to classi-

fy a wild bird refuge as urban renewal, but that is exactly what the Administration has done."

Mr. Glenn goes on to describe the proposed park:

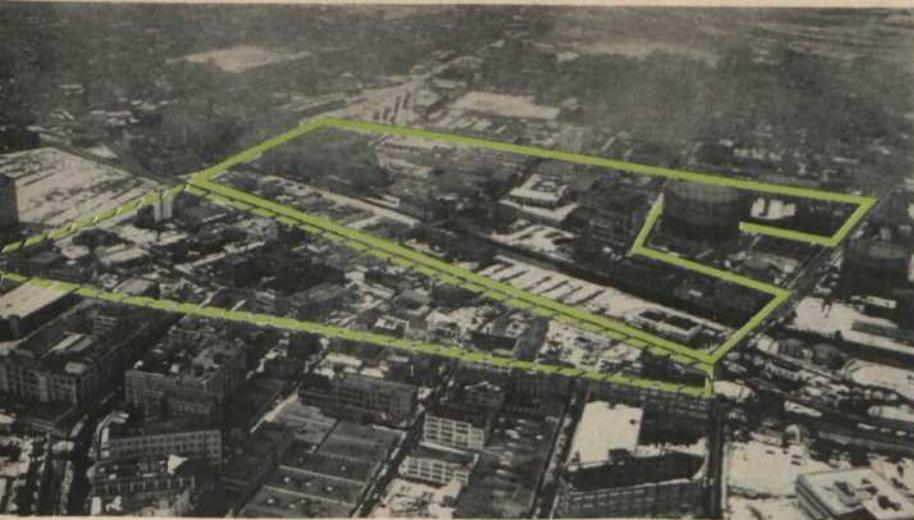
"It is an undeveloped area of marshland which is under water at many high tides. What the Administration calls the Atlantic City-Cape May urban area is a stretch of 50 miles of seacoast with miles of uninhabited beaches between developed seaside resorts.

"Of course, to qualify under the Housing Act of 1961 as a park under an urban renewal plan somebody, somewhere, had to start out by designating some place as an urban area. So 50 miles of beach front with 14 seashore resorts and miles of nothing but sand hills, Indian grass and sea gulls is now an 'urban area' and hence necessitates a park and recreational area.

"With all the slums existing in metropolitan areas which sorely need corrective action, it just doesn't make sense to use urban renewal funds earmarked for such a purpose to underwrite a grandiose, unneeded project in an isolated marshland area," Mr. Glenn adds.

"Such a project most certainly is not the intent of the law, which is designed to help elevate the environment of those unfortunate citizens now living in substandard urban neighborhoods."

Even in metropolitan areas the urban renewal program finds its way down strange trails. New York has a project which is characterized as "the most outrageous misuse of the urban renewal program I have ever



Plans are moving ahead  
to use the federal urban  
renewal program for:

Site for NASA research  
facility in Cambridge



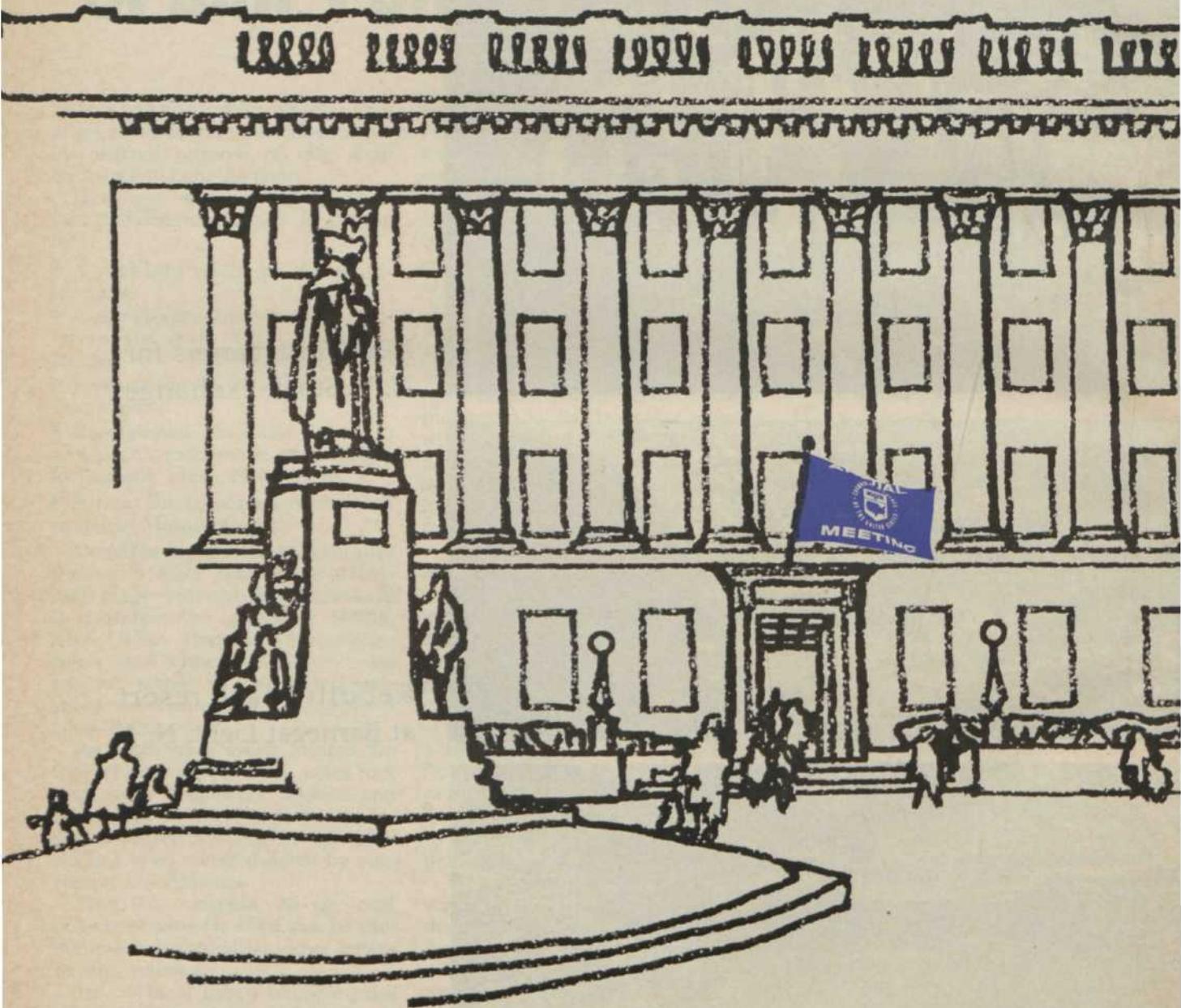
New headquarters for  
N.Y. Stock Exchange

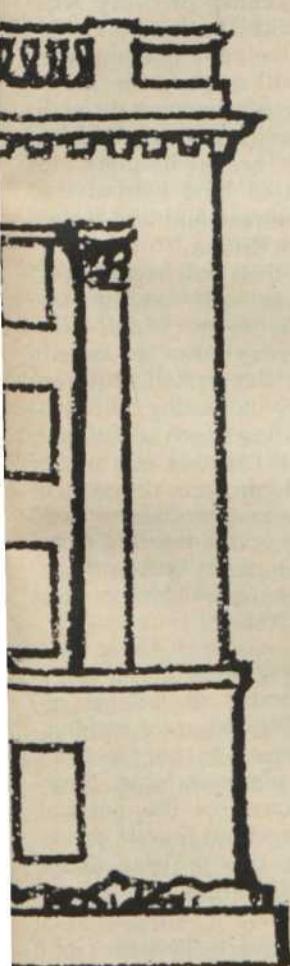


Rebuilt beach resort  
at Barnegat Light, N.J.



Wild bird refuge along  
the Atlantic coastline





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CHAMBER OF COMMERCE OF THE UNITED STATES  
WASHINGTON, D. C.

\_\_\_\_\_, 1965

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## URBAN RENEWAL

continued

encountered" by Rep. William B. Widnall, ranking Republican on the House Banking and Currency Committee, which handles housing legislation.

Under this proposal, which has been approved by city officials, 12.8 acres of commercial property at the southern tip of Manhattan Island would be acquired and cleared by the city's Housing and Redevelopment Board as a site for new headquarters for the New York Stock Exchange.

The area, known as the Battery Park project, was originally approved for renewal in 1957 by the Urban Renewal Administration. Plans at that time called for redevelopment with high-rise, luxury apartments, but this idea was abandoned. Federal officials have been advised of the current proposal, but the city has not yet sought formal approval of the change.

The Stock Exchange, which is outgrowing its present quarters nearby, has found this to be the only available site large enough to accommodate the huge trading floor and offices which it plans to build, a spokesman says.

It will cost the city an estimated \$12 million to acquire and clear the land before reselling it to the Exchange. The Exchange intends to pay the full cost rather than accept the write-down customary in federal urban renewal projects, which serves as a subsidy to the purchaser.

The owners of the property, who bought it to erect a 40-story office building, have objected strenuously to the plan for using urban renewal powers to take it away from them for the benefit of the Stock Exchange.

"An urban renewal project designed to provide a new home for the New York Stock Exchange hardly meets the intent of Congress to provide suitable living quarters for our low-income citizens," Representative Widnall points out.

### Resort renewal

At the other end of the scale is the smallest community that presently has a federal urban renewal project under way. Barnegat Light, a summer resort town on the tip of Long Beach Island off the New Jersey coast, has a year-round population of 287 and a federal renewal grant of nearly \$228,000.

Barnegat Light was hit by a four-day storm in March of 1962. Six-

teen summer homes with a portion of the town's beach were washed away by heavy surf and tides.

First the town got \$147,000 under the federal Accelerated Public Works Program, which is supposed to provide small grants for necessary public works. This money—plus local, county and state funds—paid for four stone jetties and the work of pumping sand from the ocean to rebuild the beach and dunes.

The job of restoring the beach and dunes was not completed with this money, so the town got a grant from the Urban Renewal Administration under the so-called disaster provisions of the law.

George F. Gordon, executive director of Barnegat Light's urban renewal agency, says that 29 acres of beach and adjoining property will be developed with the grant. Using the power of eminent domain, the local agency will acquire the property from its present owners through purchase or condemnation. Besides rebuilding the beach it plans to raise the level of land behind the beach, build a street and add water pipes and storm drains.

The agency then will resell most of the tract to new owners for homesites. The town, which now owns about 70 per cent of the beach, intends to buy the stretch acquired by the agency, increasing its ownership of adjoining beach to 100 per cent. Barnegat Light is one of 25 urban renewal projects blanketed under the little-known disaster provision. Federal grants totaling more than \$37 million have been authorized under this provision of the 1956 Housing Act.

### Renewal for recreation

Another example of federal renewal where elimination of residential slums appears to be far from the minds of planners is in Newport, R.I., known for the palatial summer estates which line its shore. Here there are two projects under way with \$3.2 million in federal funds.

One will convert 32-acre Goat Island, formerly a naval torpedo manufacturing installation, into a largely recreational area with a hotel, marina and a group of eight-story apartments. A causeway and bridge will be built to connect the island with downtown Newport.

The other project would demolish 90 per cent of the buildings in a 24-acre tract which takes in part of Newport's central business district and harbor facilities. The renewal plan includes a waterfront park

and promenade and increased boating and restaurant accommodations. The Urban Renewal Administration notes that the plan is "shaped to Newport's recognition that it is essentially a resort community."

#### NASA site at businesses' expense

Farther north, a storm has blown up outside of Boston over an urban renewal project which opponents charge has been engineered to make available a site wanted by the National Aeronautics and Space Administration for a new electronics

**See Nation's Business survey**  
on how new investments by private  
business is boosting employment  
and revitalizing areas listed as  
depressed. Page 36.

research center. The Urban Renewal Administration has advanced \$100,000 to Cambridge to survey a 42-acre area, known as Kendall Square, and to determine the feasibility of the proposed project.

"There is an attempt being made on the part of the Cambridge city government, in concert with NASA, to deliver up this site to NASA," maintains Dr. John J. Brennan, Jr., vice president of the Electronics Corporation of America. He is chairman of the Committee for the Preservation of Cambridge Industry, a group formed by business firms in the affected section.

"The governmental vehicle being used to acquire this parcel of land is the urban renewal program," Dr. Brennan says, "even though it is populated by 94 thriving business concerns, with not more than a half dozen dwellings on the entire proposed site."

"We believe that if NASA should be successful in locating in Kendall Square it would result in the senseless destruction of these thriving, long-established concerns and would completely negate the advantages which could otherwise accrue from the projected new NASA center."

The companies involved have a combined yearly sales volume of more than \$75 million and plant and equipment worth \$40 million. They employ nearly 4,000 people with an annual payroll of \$18 million. Relocating them would cost an estimated \$9 million, Dr. Brennan points out, although urban renewal regulations permit a maximum re-



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## **URBAN RENEWAL**

*continued*

location allowance of only \$25,000 per firm.

In picking 29 acres of the Kendall Square project for its planned \$61 million complex of laboratories, NASA rejected a number of other potential locations. Among them were the Watertown Arsenal about three miles away, which is being closed by the federal government, and a closer tract, equidistant between Massachusetts Institute of Technology and Harvard University, offered by the Massachusetts Turnpike Authority at a rental of one dollar for 100 years.

A major factor in the selection of Kendall Square, according to Dr. Winston E. Kock, director of the NASA center, is that it is directly adjacent to the MIT campus. Being within walking distance of MIT makes the site particularly desirable, he maintains.

"For us to attract outstanding research-minded graduates, we must have other inducements which can compete with the salary inducements of industry," he says. "We believe strongly that at Kendall Square our proximity to MIT and Harvard will enable us to recruit outstanding graduates successfully."

Dr. Brennan estimates that the cost of acquiring and clearing the Kendall Square site for NASA would run in excess of \$40 million as compared with the much lower cost of alternate sites nearby. Many businessmen would agree with his assessment of the project:

"This is a completely improper use of the urban renewal program."

## **GRAPHIC VISUAL CONTROL**

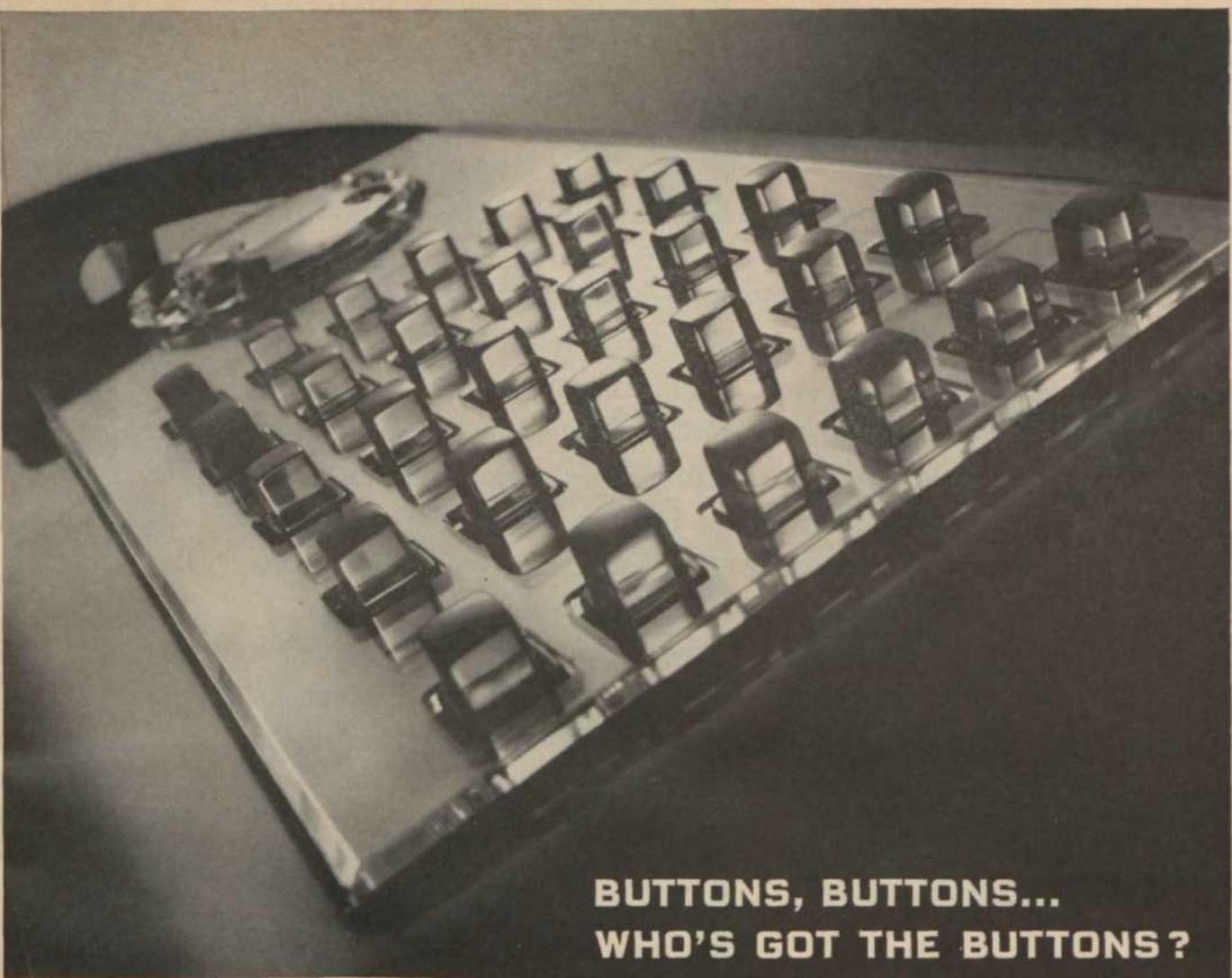


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## Miracle in Washington

Washington—where “Let Uncle Do It” is the watchword—has just witnessed a miracle.

The capital city’s Planning Commission killed a sweeping local urban renewal project strongly supported by the federal Urban Renewal Administration, as well as the local Redevelopment Land Agency and Housing Authority.

Despite this array of government power, private enterprise finally convinced the Planning Commission after nine years that “private development and rehabilitation” make federal bulldozing “not in the public interest.”

The Redevelopment Land Agency denounces the action as “a serious blow to the whole urban renewal program . . . not only for Washington, but because what is done in Washington has a nationwide effect.”

Hope so.

## Spenders who live in glass houses . . .

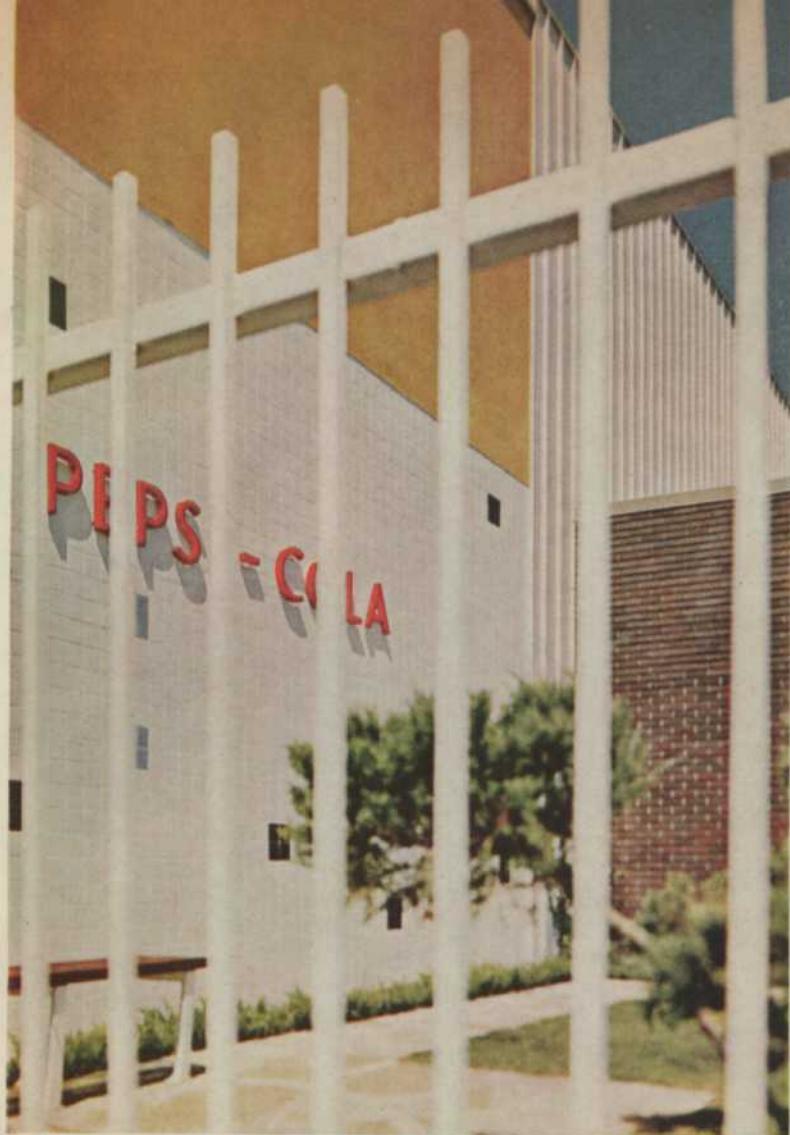
Consumer goods that cost \$100 in 1957-59 now cost \$109, according to Uncle Sam’s price index.

To curb further rises, the government wants everybody to stick to price-wage limits it calls guideposts.

What’s the government’s own record for restraint?

For every \$100 in the same 1957-59 period, the federal government now is spending \$141. The Administration wants to boost this outlay to \$148.

When its costs are rising nearly five times as fast as other things, maybe government should get some guideposts of its own.



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